STANDISH AREA FIRE AUTHORITY
ARENAC COUNTY, MICHIGAN

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2006

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	STANDISH AREA FIRE AUTHORITY	ARENAC

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
JUNE 30, 2006	OCTOBER 10, 2006	OCTOBER 27, 2006

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below**. (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☐	☒	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☐	☒	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☐	☒	The local unit has adopted a budget for all required funds.
5.	☐	☒	A public hearing on the budget was held in accordance with State statute.
6.	☐	☒	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☐	☒	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☐	☒	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☐	☒	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan,* as revised (see Appendix H of Bulletin).
10.	☐	☒	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☒	☐	The local unit is free of repeated comments from previous years.
12.	☒	☐	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	NONE
Other (Describe)	☐	N/A

Certified Public Accountant (Firm Name)	Telephone Number
QUAST JANKE AND COMPANY CPA'S PC	989-892-4549

Street Address	City	State	Zip
1010 N JOHNSON	BAY CITY	MI	48708

Authorizing CPA Signature	Printed Name	License Number
	DAVID GWIZDALA	1101019683

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Management Discussion and Analysis	2-6
Basic Financial Statements	
Governmental-Wide Financial Statements	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements	
Governmental Funds Balance Sheet	9
Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets	10
Statement of Revenue, Expenditures and Changes in Fund Balance Amended Budget and Actual – Governmental Fund Type – General Fund	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Notes to Basic Financial Statements	13-17

Quast, Janke and Company, P.C.

Certified Public Accountants

1010 N. JOHNSON STREET
BAY CITY, MICHIGAN 48708
Phone: (989) 892-4549
Fax: (989) 892-4030

Timothy J. Quast, C.P.A.
Mark G. Janke, C.P.A.
Ned E. Kleinke, C.P.A.
David G. Gwizdala, C.P.A.

Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

INDEPENDENT AUDITOR'S REPORT

October 10, 2006

To the Board of Directors
Standish Area Fire Authority
Arenac County, Michigan

We have audited the financial statements of the governmental activities of the Standish Area Fire Authority as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Standish Area Fire Authority's management. Our responsibility is to express an opinion 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 misstatements. 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 financial position of the Standish Area Fire Authority as of June 30, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

QUAST, JANKE AND COMPANY

Quast Janke & Co

Certified Public Accountants, P.C.

STANDISH AREA FIRE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

This section of the Standish Area Fire Authority's June 30, 2006 Financial Report presents Management's Discussion and Analysis of the Authority's financial activities during the fiscal year ended June 30, 2006. The analysis focuses on the Authority's financial performance as a whole. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the Standish Area Fire Authority exceeded liabilities at June 30, 2006, by $459,595.66. Of this amount, $88,539 47 unrestricted and may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's net assets decreased by $5,242 during the year.
- As of the close of the current fiscal year the department's general fund, reporting an ending fund balance of $90,143, an increase of $19,057 in comparison with the prior year.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Authority's financial activities.
- Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of the Authority as a whole and represent an overall view of the Authority's finances.
- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the Authority's operations in more detail than the government-wide statements.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.

REPORTING THE AUTHORITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities - The Government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the Authority's finances is, Is the Authority as a whole better or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information about the Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. These two statements report the Authority's net assets, which are the difference between assets and liabilities, as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the Authority's property tax base and the condition of the Authority's infrastructure are also important in making this decision.

In the Statement of Net Assets and the Statement of Activities, all the activities are reported as governmental activities:

- Governmental Activities – All of the Authority's basic services are reported here, such as fire prevention. Local unit contributions and grants finance most of these activities.
- Business-Type Activities – The Authority has no business-type activities.

REPORTING THE AUTHORITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about individual, significant funds, not the Authority as a whole. Some funds are required to be established by State law and by bond covenants. The Authority can establish other funds to control and manage money for particular purposes (such as construction or capital projects) and to show that it is properly using certain revenues (such as tax increment financing revenues). The Authority has one kind of fund:

Governmental Funds

The Governmental Funds account for all of the Authority's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Major Street and UDA Grant; the Debt Service Fund; and the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the Authority's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

STANDISH AREA FIRE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets serve over time as useful indicator of financial position. The following analysis shows the Authority's total net assets at June 30, 2006.

	Governmental Activities	
	2006	2005
ASSETS		
Current and other assets	$ 90,697.36	$ 71,903.59
Capital Assets net of accumulated depreciation	421,837.68	460,330.07
Total Assets	512,635.04	532,233.66
LIABILITIES		
Current liabilities	2,159.89	817.55
Long-term liabilities	50,879.49	66,578.00
Total Liabilities	53,039.38	67,395.55
NET ASSETS		
Invested in capital assets net of related debt		
Restricted	371,056.19	393,752.07
Unrestricted	88,539.47	71,086.04
Total Net Assets	$ 459,595.66	$ 464,838.11

Net assets of governmental activities decreased for the year ended June 30, 2006 by $5,242. The largest portion of the Authority's net assets is invested in capital assets (e.g., fire trucks and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately $88,500.

STANDISH AREA FIRE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

The following analysis provides the changes in the net assets for the Authority's governmental activities.

	Governmental Activities 2006	2005
REVENUES		
General Revenue		
Grants	$ 35,468	$ 54,013
Local Contribution	97,318	91,422
Interest	3,717	1,418
Other	12,023	17,714
Total Revenue	148,526	64,567
EXPENSES		
Public Safety	148,526	155,773
Total Expenses	148,526	155,773
Increase (Decrease) in Net Assets	(5,242)	8,794
Net Assets, Beginning of Year	464,838	456,044
Net Assets, End of Year	$ 459,596	$ 464,838

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The only governmental fund is the General Fund of the Authority. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Authority's investment in capital assets for governmental activities totaled $460,330.07 (net of accumulated depreciation) at June 30, 2006. There were no additions for the year.

Capital assets, net of depreciation	
Vehicles	$ 367,202.89
Equipment	54,734.79
Total	$ 421,937.68

LONG-TERM DEBT

At year end the Standish Area Fire Authority had a note payable to Chemical Bank for $66,578.00 related to the purchase of a fire truck. The note requires annual payments of $18,105.17 including interest at 3.29% per annum. Payments are due July 15 of each year.

ECONOMIC FACTORS

Our officials consider many factors when setting the Authority's 2006 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's economy.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and operating activities. If you have any questions or require additional information please contact Administration at Standish Area Fire Authority, P.O. Box 175, Standish, MI 48658.

STANDISH AREA FIRE AUTHORITY
Arenac Counnty, Michigan

STATEMENT OF NET ASSETS
June 30, 2006

Assets	
Cash and cash equivalents	$ 90,697.36
Capital assets being depreciated	
Equipment and vehicles	739,468.00
Accumulated depreciation	(317,530.32)
Net Capital Assets	421,937.68
Total Assets	512,635.04
Liabilities	
Accounts Payable	554.75
Accrued Interest	1,605.14
Non-Current Liabilities:	
Due within one year	16,407.89
Due in more than one year	34,471.60
Total Liabilities	53,039.38
Net Assets	
Investment in capital assets, net of related debt	371,056.19
Unrestricted	88,539.47
Total Net Assets	$ 459,595.66

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

STANDISH AREA FIRE AUTHORITY
Arenac Counnty, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Program Expenses:	
Fire and emergency protection- operations	$ 106,121.85
Depreciation	38,392.39
Interest on Equipment note	4,011.80
Total program expenses	148,526.04
General Revenues:	
Local unit contributions	97,317.75
Grants	35,468.23
Charges for services	6,001.00
Interest income	3,716.79
Other income	779.82
Total general revenues	143,283.59
Change in Net Assets	(5,242.45)
Net Assets beginning of year	464,838.11
Net Assets end of year	$ 459,595.66

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

STANDISH AREA FIRE AUTHORITY
Arenac Counnty, Michigan

GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006

ASSETS		General
Cash and cash equivalents	$	90,697.36
TOTAL ASSETS	$	90,697.36
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	$	554.75
Deferred revenue		-
Total liabilities		554.75
Fund Balance		
Unreserved - Undesignated		64,340.48
Unreserved - Designated for equipment		25,802.13
TOTAL LIABILITIES AND FUND BALANCE	$	90,697.36

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

STANDISH AREA FIRE AUTHORITY
Arenac Counnty, Michigan

RECONCILIATION OF THE BALANCE SHEET FUND BALANCE
TOTHE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2006

Fund Balances - total governmental funds	$ 90,142.61
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 fund.	
Add - Capital Assets	739,468.00
Deduct - Accumulated depreciation	(317,530.32)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(52,484.63)
Net assets of governmental activities	$ 459,595.66

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

STANDISH AREA FIRE AUTHORITY
Arenac Counnty, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AMENDED BUDGET AND ACTUAL
GOVERNMENTAL FUND TYPE - GENERAL FUND
June 30, 2006

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local unit contributions	$ 97,306.00	$ 97,306.00	$ 97,317.75	$ (11.75)
Grant income	0.00	27,973.00	35,468.23	(7,495.23)
Interest	1,500.00	1,500.00	3,716.79	(2,216.79)
Charges for services	9,000.00	9,000.00	6,001.00	2,999.00
Other	2,500.00	2,500.00	779.82	1,720.18
TOTAL REVENUES	110,306.00	138,279.00	143,283.59	(5,004.59)
EXPENDITURES				
Wages and taxes	15,500.00	15,500.00	15,149.00	(351.00)
Rental	100.00	4,500.00	-	(4,500.00)
Personal protection	5,000.00	35,097.00	40,132.73	5,035.73
Office Supplies	1,000.00	1,098.53	683.13	(415.40)
Foam	2,000.00	2,000.00	1,526.72	(473.28)
Insurance	19,500.00	19,500.00	18,874.00	(626.00)
Meals	10,000.00	11,609.54	11,609.54	0.00
Repairs and maintenance	5,000.00	8,363.00	7,875.31	(487.69)
Fuel	2,000.00	2,363.00	2,222.35	(140.65)
Operating supplies	3,000.00	3,000.00	2,215.48	(784.52)
Legal and professional	2,000.00	2,190.00	2,190.00	0.00
Communications	5,500.00	2,355.00	1,567.39	(787.61)
Training	2,000.00	1,085.00	669.90	(415.10)
Contracted services	5,000.00	5,000.00	1,370.30	(3,629.70)
Other operating expenditures	8,380.00	5,817.93	36.00	(5,781.93)
Debt payments	24,326.00	18,800.00	18,105.17	(694.83)
TOTAL EXPENDITURES	110,306.00	138,279.00	124,227.02	(14,051.98)
REVENUES OVER EXPENDITURES	-	-	19,056.57	9,047.39
FUND BALANCE, BEGINNING OF YEAR	71,086.04	71,086.04	71,086.04	0.00
FUND BALANCE, END OF YEAR	$ 71,086.04	$ 71,086.04	$ 90,142.61	$ 9,047.39

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

STANDISH AREA FIRE AUTHORITY
Arenac Counnty, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Net change in fund balance - total governmental funds	$	19,056.57
Amounts reported for governmental activities in the statement of activites are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities those assets are allocated over the estimated useful lives of the asset and reported as depreciation expense.		
Add - Capital Outlay		-
Deduct -depreciation expense		(38,392.39)
Debt repayments are an expenditure in governmental funds, but not in the statement of activities where it reduces long-term debt		
Interest expense		(4,011.80)
Total debt payment		18,105.17
Change in net assets of governmental activities	$	(5,242.45)

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

STANDISH AREA FIRE AUTHORITY
Arenac County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Standish Area Fire Authority, ("Authority"), was established as an emergency services authority pursuant to the provisions of Michigan Public Act No. 57. It is a joint authority created by contractual agreement between the City of Standish, Township of Lincoln and Township of Standish. Its purpose is to provide fire protection service to citizens residing in the Authority's boundaries. The Authority is governed by a Board of Directors, which is comprised of two representatives from each of the participating municipalities. Each board member is appointed by the legislative board of the municipality and requires at least one of the two representative members must also be a member of the legislative body of the municipality.

The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

The accounting policies of the Standish Area Fire Authority conform to generally accepted accounting principles, as applicable to government units. The following is a summary of the more significant policies.

Governmental Accounting Standards Board Statement No. 34

For the fiscal year ended June 30, 2004 Standish Area Fire Authority implemented GASB Statement No. 34, *Basic Financial Statements -and Management's Discussion and Analysis- for State and Local Governments* (GASB 34). This statement affects the manner in which the Authority records transactions and presents financial information.

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

Management's Discussion and Analysis-GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the Authority's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all Standish Area Fire Authority's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements also include the following:

Statement of Net Assets - The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities) and the total of its discretely presented component parts. Standish Area Fire Authority reports capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of the Authority are broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the Authority's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, Standish Area Fire Authority has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. Implementation of GASB 34 has had a significant impact on the Authority's financial statements for the year ended June 30, 2006.

BUDGETARY INFORMATION

Comparisons to budget are presented for the General Fund as required by generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Authority. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The Authority does not utilize encumbrance accounting.

DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts and certificates of deposits with an original maturity date less than 90 days from the original issue date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Michigan law authorizes the Authority to deposit and invest in:

a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.

b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.

c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

d. Bankers' acceptances of United States banks.

e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

Investments are carried at fair value.

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. The Authority defines capital assets as assets with an initial, individual cost of more than $1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance are repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Machinery and equipment	5–15
Vehicles	8–25

DEPOSITS

At year-end, the carrying amounts and bank balance of the Authority's deposits were as follows:

	Carrying Amount	Bank Balance
Checking accounts	$ 90,697.36	$ 90,795.35

	Carrying Amount	Bank Balance
Insured (FDIC)	$ 90,697.36	$ 90,795.35

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

CAPITAL ASSETS

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets being depreciated				
Machinery and equipment	$ 138,927	$ -	$ -	$ 138,927
Vehicles	600,541	-	-	600,541
Total capital assets being depreciated	739,468	-	-	739,468
Less accumulated depreciation				
Machinery and equipment	(72,583)	(11,609)	-	(84,192)
Vehicles	(206,553)	(26,783)	-	(233,338)
Total accumulated depreciation	(279,137)	(38,392)	-	(317,530)
Capital assets being depreciated, net	$ 460,331	$ (38,392)	$ -	$ 421,938

STANDISH FIRE AUTHORITY
Arenac County, Michigan

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2006

2. RISK MANAGEMENT

The Authority is expected to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

3. NOTE PAYABLE

Following is a summary of note payable to Chemical Bank for the remaining balance owed on a new fire truck purchase. The note is secured by the fire truck and requires annual payment of $18,105.17 including interest at 3.29% per annum.

Due	Principal	Interest	Total
7/15/06	$ 16,407.89	$ 1,697.28	$ 18,105.17
7/15/07	16,955.21	1,149.96	18,105.17
7/15/08	17,516.39	585.99	18,102.38
	$ 66,879.49	$ 3,433.23	$ 54,312.72