

Michigan Department of Treasury
496 (Rev.08/08)

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Auditing Procedures Report V1.04

Issued under Public Act 2 of 1968, as amended.

Unit Name	AUBURN-WILLIAMS FIRE PROTECTION DJ	County	BAY	Type	AUTHORITY	MuniCode	08-7-511
Opinion Date-Use Calendar	May 22, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 210,632.00
General Fund Expenditure:	\$ 213,170.00
Major Fund Deficit Amount:	\$ 2,538.00

General Fund Balance:	\$ 860,312.00
Governmental Activities Long-Term Debt (see instructions):	\$ 21,667.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	MARK	Last Name	FREED	Ten Digit License Number	1101012221				
CPA Street Address	5915 EASTMAN AVENUE	City	MIDLAND	State	MI	Zip Code	48840	Telephone	+1 (989) 835-7721
CPA Firm Name	BURNSIDE & LANG, PC	Unit's Street Address	1090 W. MIDLAND RD.	City	AUBURN	LU Zip	48611		

**AUBURN-WILLIAMS
FIRE PROTECTION DISTRICT
BAY COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT

Board Members

City of Auburn

Clifford Vennix, Chairman
Paul Popa

Williams Township

Fred Berg, Secretary/Treasurer
David Pfund
John Charney

Municipal Representatives

Jerry Schrott, Township
Jim Zoller, City

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT

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Independent Auditors' Report

To The Honorable Members of
The Administrative Board
Auburn-Williams Fire Protection District
Bay County, Michigan

We have audited the accompanying general purpose financial statements of the Auburn-Williams Fire Protection District, Bay County, Michigan, as of and for the year ended December 31, 2007, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's Board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Auburn-Williams Fire Protection District, Bay County, Michigan, at December 31, 2007, and the results of its operations 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 on pages 2 through 4 and 13, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Burnside & Lang, P.C.

Midland, Michigan
May 22, 2008

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ending December 31, 2007**

This document is required by GASBS No. 34 and 37 as part of the Auburn-Williams Fire Protection District's (the "District") basic financial statements. The purpose of this document is to provide a narrative overview and discussion of the financial activities of the District for the period covered by the financial statements.

The MD&A is specifically designed to: 1) assist the financial statement reader in focusing on significant financial issues; 2) provide a broad scope overview of the District's financial activities; 3) identify and explain changes in the District's financial position from 2006 to 2007 and 4) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial information in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the District's audited financial statements.

Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Clifford Vennix, Chairman, Auburn-Williams Fire District, 1090 W. Midland Road, Auburn, MI 48611.

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District is a special-purpose government agency engaged in governmental-type activities. The District provides fire fighting, medical and rescue services to residents and visitors to the City of Auburn and Williams Charter Township, Bay County, Michigan.

As a special-purpose government agency, only fund financial statements are presented as the basic financial statements and are comprised of two components: 1) fund financial statements and 2) a series of notes to the financial statements. These provide information about the activities of the District as a whole and present a longer-term view of the District's finances. This report also contains other supplemental information in addition to the basic financial statements themselves.

The District as a Whole

The Statement of Net Assets and the Statement of Activities report information about the District as a whole in a way that helps the reader determine whether the District's financial position changed substantially from the prior year. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Financial Highlights

- District's assets exceed its liabilities by \$860,312
- Net assets decreased by \$2,538
- Revenues decreased \$41,496 to \$210,632
- Operating expenses decreased \$65,937 to \$173,223

Fund Financial Statements

The District's financial resources are reported in a governmental fund. Accounts are grouped into funds to maintain control over money that is for specific purposes, activities or objectives. The District, like other agencies operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with legal requirements.

Using this Annual Report

The District's annual report consists of financial statements that combine information about its current funds. External auditors provide an opinion that the District's financial statements are fairly stated. An independent auditors' report is located immediately before the MD&A. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the District's Funds

The District's financial statements provide detailed information about the District's funds. The District establishes funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The focus of funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator. The evaluated statements include the Governmental Fund Balance Sheet/Statement of Net Assets and Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities.

Statement of Net Assets reports the District's current cash assets with its capital assets, buildings and apparatus for example, and its long term debt obligations to demonstrate whether the District has the wherewithal to meet upcoming financial obligations. One can think of the District's net assets (the difference between assets and liabilities) as one way to measure the District's financial health or financial position. Over time, increases and decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

Statement of Activities reports the District's income and where it came from. It also compares how much money was spent in relation to how much was received.

The Statement of Activities reflect a decrease in revenue due to no receipts of grant revenue this year. Expenses decreased due largely to no capital assets being purchased. The combination of a decrease in revenue and a decrease in expenses resulted in a slight decrease in net income of \$13,407 from the prior year.

Economic Factors

The District depends on the City of Auburn and Williams Charter Township for its funding. The 2008 budget has already been approved and no major changes are expected.

Capital funds reflect a long term budget to replace and improve buildings, apparatus and equipment. Funds available are in line with that budget.

Significant economic factors affecting the District include:

- Population growth in the municipalities it serves
- Inflationary pressure on utility rates, supplies and other costs
- Availability of grant income from many sources including FEMA and local foundations

**AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
GOVERNMENTAL FUND BALANCE SHEET
STATEMENT OF NET ASSETS
December 31, 2007**

Exhibit 1

	General Fund Modified Accrual Basis	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 100,613	\$ -	\$ 100,613
Prepaid expenses	5,040	-	5,040
Capital assets, net	-	776,326	776,326
	\$ 105,653	776,326	881,979
LIABILITIES			
Note payable	\$ -	21,667	21,667
	-	21,667	21,667
FUND BALANCE/NET ASSETS			
Fund balance			
Reserved - prepaid expenses	5,040	(5,040)	-
Unreserved:			
Designated - equipment purchases	88,184	(88,184)	-
Undesignated	12,429	(12,429)	-
	105,653	(105,653)	-
Total Fund Balance	105,653	(105,653)	-
Total Liabilities and Fund Balance	\$ 105,653		
Net Assets			
Invested in capital assets		754,659	754,659
Unrestricted		105,653	105,653
		\$ 860,312	\$ 860,312
Total Net Assets		\$ 860,312	\$ 860,312

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

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
REVENUES			
Municipal income	\$ 205,000	\$ -	\$ 205,000
Interest income	4,063	-	4,063
Other	1,569	-	1,569
Total revenues	<u>210,632</u>	<u>-</u>	<u>210,632</u>
EXPENDITURES			
Insurance	21,073	-	21,073
Bookkeeping	9,315	-	9,315
Audit	2,730	-	2,730
Operating supplies	56,745	-	56,745
Fire/Medical training	4,994	-	4,994
Utilities	14,361	-	14,361
Truck and engine maintenance	10,471	-	10,471
Building maintenance	10,867	-	10,867
Member medical	2,922	-	2,922
Undesignated Unreserved	12,864	-	12,864
Contingency purchases	3,594	-	3,594
Debt service:			
Principle payments - Fire pumper	21,667	(21,667)	-
Interest payments - Fire pumper	1,620	-	1,620
Total expenditures before depreciation	<u>173,223</u>	<u>(21,667)</u>	<u>151,556</u>
Depreciation	-	61,614	61,614
Total expenditures	<u>173,223</u>	<u>39,947</u>	<u>213,170</u>
Excess of revenues over expenditures/change in net assets	37,409	(39,947)	(2,538)
Fund balance/Net assets, beginning of year	<u>68,244</u>	<u>794,606</u>	<u>862,850</u>
Fund balance/Net assets, end of year	<u>\$ 105,653</u>	<u>\$ 754,659</u>	<u>\$ 860,312</u>

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

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Auburn-Williams Fire Protection District (the “District”) conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

A. Reporting Entity

The District operates under a joint agreement created by the City of Auburn and Williams Township in Bay County, Michigan. The agreement was created in 1980 to form a fire protection district comprising the entire area of these two governmental units. The District is governed by an Administrative Board which consists of five (5) members, with the City and the Township each appointing two (2) residents of the respective municipality. The fifth member shall be appointed by a majority of the board at its first meeting and shall be a resident of either the city or the township. Consequently, the District’s ability to provide services is dependent upon the continued support of these two units of government.

The District has implemented GASB Statement No. 14, *The Financial Reporting Entity* and *Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit’s general purpose financial report is the exercise of financial responsibility over such agencies by the governmental unit’s elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The 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, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Equipment	3-20 years
Vehicles	20 years

Fund Balance

The District reports reservations of its 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.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The District does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level. During the year, the District operated within its approved budget.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 3. DEPOSITS AND CASH EQUIVALENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The District is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of 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 direct investment by local units of government in Michigan.

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

Cash and Cash Equivalents, as of December 31, 2007, consist of cash in bank checking, savings, and certificates of deposit accounts totaling \$119,262, which 100,000 of that is covered by federal deposit insurance. The book value of these deposits at December 31, 2007 was \$100,613.

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the District had \$0 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that Auburn Williams Fire Protection District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the District had no investments.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The District's current investments have no potential interest rate risk.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 4. CAPITAL ASSETS

Capital asset activity of the District for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Buildings	\$ 468,943	\$ -	\$ -	\$ 468,943
Equipment	65,316	-	-	65,316
Vehicles	876,283	-	-	876,283
Subtotal	<u>1,410,542</u>	<u>-</u>	<u>-</u>	<u>1,410,542</u>
Less Accumulated Depreciation for				
Buildings	229,420	13,148	-	242,568
Equipment	43,513	4,652	-	48,165
Vehicles	299,669	43,814	-	343,483
Subtotal	<u>572,602</u>	<u>61,614</u>	<u>-</u>	<u>634,216</u>
Net Capital Assets Being Depreciated	<u>837,940</u>	<u>(61,614)</u>	<u>-</u>	<u>776,326</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 837,940</u>	<u>\$ (61,614)</u>	<u>\$ -</u>	<u>\$ 776,326</u>

NOTE 5. ECONOMIC DEPENDENCY

Revenue appropriations from the City of Auburn and Williams Township during the year ended December 31, 2007, represented approximately 97% of the District's total revenue. The revenue amounts of each governmental unit are determined on a proportional basis with City of Auburn contributing 30% and Williams Township contributing 70% of the appropriated revenue.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE 6. LONG-TERM DEBT

A schedule of long-term debt at December 31, 2007, and changes therein , are summarized as follows:

	January 1, 2007	Additions (Reductions)	December 31, 2007
Note payable to Chemical Bank and Trust Co., due in annual installments of \$21,667 plus interest at 4.25% through October 2008, secured by CSI emergency apparatus.	\$ 43,334	\$ (21,667)	\$ 21,667

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and workplace injuries (workers compensation). The District purchases commercial insurance to cover the risks of these losses. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage.

AUBURN-WILLIAMS FIRE PROTECTION DISTRICT
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	(Over) Under Budget
REVENUES				
Municipal income	\$ 205,000	\$ 205,000	\$ 205,000	\$ -
Interest income	-	-	4,063	(4,063)
Other	-	16,300	1,569	14,731
Total revenues	<u>205,000</u>	<u>221,300</u>	<u>210,632</u>	<u>10,668</u>
EXPENDITURES				
Insurance	20,000	21,155	21,073	82
Bookkeeping	9,500	9,500	9,315	185
Audit	2,650	2,650	2,730	(80)
Operating supplies	52,900	56,749	56,744	5
Fire/Medical training	6,296	4,995	4,994	1
Utilities	16,200	16,200	14,361	1,839
Truck and engine maintenance	7,450	10,471	10,471	-
Building maintenance	14,110	11,089	10,867	222
Member medical	7,000	2,952	2,922	30
Debt service:				
Principle payments - Fire pumper	-	21,670	21,667	3
Interest payments - Fire pumper	2,544	2,544	1,620	924
Contingency purchases	-	3,595	3,595	-
Miscellaneous	-	16,300	12,864	3,436
Capital outlay	3,250	41,430	-	41,430
Total expenditures	<u>141,900</u>	<u>221,300</u>	<u>173,223</u>	<u>48,077</u>
Excess of revenues over expenditures	63,100	-	37,409	<u>\$ (37,409)</u>
Fund balance, beginning of year	<u>68,244</u>	<u>68,244</u>	<u>68,244</u>	
Fund balance, end of year	<u>\$ 131,344</u>	<u>\$ 68,244</u>	<u>\$ 105,653</u>	