

# 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 <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Marcellus Area Emergency Services Associa		County Cass	
Fiscal Year End 12/31/07		Opinion Date May 28, 2008		Date Audit Report Submitted to State			

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.)

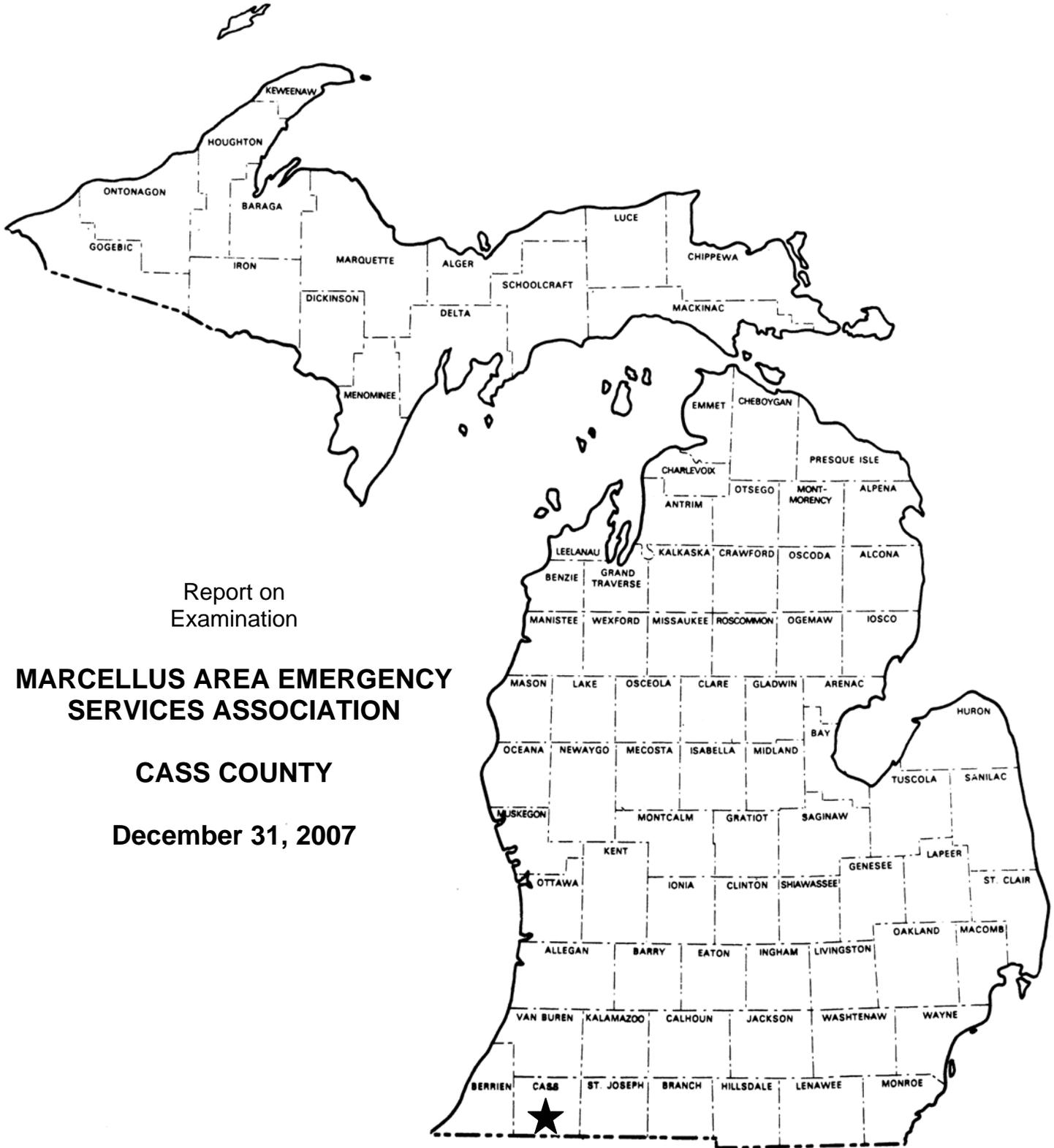
1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted 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	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Michigan Department of Treasury - Local Audit and Finance		Telephone Number 517-373-3227		
Street Address 430 West Allegan, 1st Floor Austin Bldg, PO Box 30728		City Lansing	State MI	Zip 48909
Authorizing CPA Signature		Printed Name Cary Jay Vaughn, CPA, CGFM		License Number 1101024355

**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**



Report on  
Examination

**MARCELLUS AREA EMERGENCY  
SERVICES ASSOCIATION**

**CASS COUNTY**

**December 31, 2007**

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

BOARD MEMBERS

Sheila Boshovan  
Chairperson

Larry Etter  
Vice Chairperson

Richard James  
Trustee

Mary Fisher  
Treasurer

James Reynolds  
Trustee

APPOINTED POSITIONS

Robbie Stainbrook  
Ambulance Director

Craig Etter  
Fire Chief

VILLAGE OF MARCELLUS POPULATION--2000  
1,193

MARCELLUS TOWNSHIP POPULATION--2000  
2,712



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

May 28, 2008

Marcellus Area Emergency Services Association  
Board of Trustees  
177 East Main Street  
P.O. Box 367  
Marcellus, Michigan 49067

RE: Unqualified Opinions on Basic Financial Statements Accompanied by  
Required Supplementary Information

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Marcellus Area Emergency Services Association (MAESA), as of and for the year ended December 31, 2007, which collectively comprise MAESA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of MAESA'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 MAESA, as of December 31, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2008 on our consideration of MAESA's internal control over financial reporting and our tests

of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 3 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marcellus Area Emergency Services Association's basic financial statements. The accompanying supplemental and related information in Exhibits G and H are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	1
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
EXHIBIT A--Government-Wide Statement of Net Assets .....	4
EXHIBIT B--Government-Wide Statement of Activities .....	5
EXHIBIT C--Balance Sheet--Governmental Funds .....	6
EXHIBIT D--Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds .....	7
NOTES TO FINANCIAL STATEMENTS .....	8
<b><u>REQUIRED SUPPLEMENTAL INFORMATION</u></b>	
EXHIBIT E--Budgetary Comparison Schedule--Operating Fund.....	15
EXHIBIT F--Budgetary Comparison Schedule--Special Revenue Fund Capital Account Fund.....	16
<b><u>SUPPLEMENTAL INFORMATION AND SCHEDULES</u></b>	
EXHIBIT G--Statement of Revenues and Other Financing Sources Budget and Actual--General Fund .....	17
EXHIBIT H--Statement of Expenditures--Budget and Actual--General Fund .....	18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> .....	19
Schedule of Findings .....	21

# MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Marcellus Area Emergency Services Association (MAESA), as a whole, and present a longer-term view of MAESA's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report MAESA's operations in more detail than the government-wide financial statements.

### The Authority as a Whole

MAESA's net assets increased approximately 2.48%, or \$13,240, from \$534,806 to \$548,046 for the year ended December 31, 2007. The investment in capital assets-net of related debt decreased by \$53,357 due to the depreciation on the equipment and vehicles. The unrestricted net assets increased by \$66,597 during 2007. Reasons for the increase are increased ambulance revenues, no matching expenses to purchase equipment from Federal grants this year, and a concerted effort to keep expenses down.

Net assets as of year ended December 31, 2007, as follows:

	<u>2006</u>	<u>2007</u>	<u>Difference</u>	<u>%</u>
Current Assets	\$251,644	\$ 284,918	\$ 33,274	13.22%
Noncurrent Assets	<u>460,925</u>	<u>389,238</u>	<u>(71,687)</u>	<u>-15.55%</u>
Total Assets	<u>712,569</u>	<u>674,156</u>	<u>(38,413)</u>	<u>-5.39%</u>
Current Liabilities	14,417	11,094	(3,323)	-23.05%
Noncurrent Liabilities	<u>163,346</u>	<u>115,016</u>	<u>(48,330)</u>	<u>-29.59%</u>
Total Liabilities	<u>177,763</u>	<u>126,110</u>	<u>(51,653)</u>	<u>-29.06%</u>
Net Assets				
Investment in Capital Assets				
Net of Related Debt	297,579	244,222	(53,357)	-17.93%
Restricted for Permanent Trust Fund	50,000	50,000	-	0.00%
Unrestricted	<u>187,227</u>	<u>253,824</u>	<u>66,597</u>	<u>35.57%</u>
Total Net Assets	<u>\$534,806</u>	<u>\$ 548,046</u>	<u>\$ 13,240</u>	<u>2.48%</u>

# MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date:

	<u>2006</u>	<u>2007</u>	<u>Difference</u>	<u>%</u>
Program Revenues				
Charges for Services	\$ 67,461	\$ 76,473	\$ 9,012	13.36%
Operating Grants and Contributions	154,230	135,623	(18,607)	-12.06%
Capital Grants and Contributions	243,912	49,252	(194,660)	-79.81%
Total Revenues	<u>465,603</u>	<u>261,348</u>	<u>(204,255)</u>	<u>-43.87%</u>
Program Expenses				
Public Safety	252,495	246,178	(6,317)	-2.50%
Interest Expense	4,822	1,930	(2,892)	-59.98%
Total Expenses	<u>257,317</u>	<u>248,108</u>	<u>(9,209)</u>	<u>-3.58%</u>
Change in Net Assets	<u>\$ 208,286</u>	<u>\$ 13,240</u>	<u>\$ (195,046)</u>	<u>-93.64%</u>

### Governmental Activities

MAESA's total governmental revenues decreased \$246,297 due to the FEMA grant received for a new fire truck last year, a decrease in contributions from the townships as Volinia Township left the district, and less other revenue as assets were sold last year. However, expenses also decreased \$342,795 due to the equipment purchases from last year. Debt service increased as the loan for the fire truck was paid off.

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2007</u>	<u>Amount Difference 2007</u>	<u>Percent Difference 2007</u>
Revenues				
Federal Grants	\$ 192,737		\$ (192,737)	100%
Contributions From Local Units	187,479	\$ 144,063	(43,416)	-23%
Charges for Services	68,810	65,780	(3,030)	-4%
Interest and Rentals	2,851	3,516	665	23%
Other	15,075	7,296	(7,779)	-52%
Total Revenues	<u>466,952</u>	<u>220,655</u>	<u>(246,297)</u>	<u>-53%</u>
Expenses				
Public Safety	143,637	142,803	(834)	-1%
Capital Outlay	353,224	1,688	(351,536)	-100%
Debt Service	40,685	50,260	9,575	24%
Total Expenses	<u>537,546</u>	<u>194,751</u>	<u>(342,795)</u>	<u>-64%</u>
Excess of Revenues Over Expenditures	<u>(70,594)</u>	<u>25,904</u>	<u>96,498</u>	<u>-137%</u>
Installment Loan Proceeds	<u>115,016.0</u>		<u>(115,016)</u>	<u>100%</u>
Excess of Revenues Over Expenditures After Other Financing Sources	<u>44,421.7</u>	<u>25,904</u>	<u>(18,518)</u>	<u>100%</u>
Beginning Fund Balance	<u>192,805</u>	<u>237,227</u>	<u>44,423</u>	<u>23%</u>
Ending Fund Balance	<u>\$ 237,227</u>	<u>\$ 263,131</u>	<u>\$ 96,498</u>	<u>41%</u>

# MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MAESA's Funds

Our analysis of MAESA's major funds is explained in Note A, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not MAESA as a whole. The board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The MAESA's major funds for 2007 includes the Operating Fund, the Capital Account, and the Permanent Trust Fund.

The Operating Fund pays for most of MAESA's public safety services. These services are partially supported by the contributions received from the participating townships and charges for services.

### General Fund Budgetary Highlights

The budget this year was not amended by any large amounts as the activity of MAESA remained relatively the same as prior years.

### Capital Asset and Debt Administration

At the end of 2007, MAESA had \$359,238 invested in vehicles and equipment. In conjunction with the purchase of these assets, MAESA currently has an installment purchase agreement for an ambulance with a remaining balance of \$115,016.

### Economic Factors and Next Year's Budgets and Rates

As we enter into the next year, MAESA is cutting expenses accordingly to begin the payoff of the ambulance loan and will continue to keep expenses at a minimum to adjust to the loss of revenue from Volinia Township.

### Contacting MAESA's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of MAESA's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at P.O. Box 429, Marcellus, Michigan 49067-0429.

**MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
December 31, 2007**

**EXHIBIT A**

<u><b>ASSETS</b></u>	<u>Governmental Activities</u>
Current Assets	
Bank Deposits	\$ 239,202
Accounts Receivable (Net)	17,276
Due From Township	19,976
Prepaid Expenses	<u>8,464</u>
Total Current Assets	<u>284,918</u>
Noncurrent Assets	
Long-Term Receivable	30,000
Capital Assets--Net of Accumulated Depreciation	<u>359,238</u>
Total Noncurrent Assets	<u>389,238</u>
Total Assets	<u>674,156</u>
 <u><b>LIABILITIES AND NET ASSETS</b></u>	
Current Liabilities	
Accounts Payable	8,997
Accrued Liabilities	<u>2,097</u>
Total Current Liabilities	<u>11,094</u>
Noncurrent Liabilities	
Installment Purchase Agreements Payable--Due Within One Year	20,306
Installment Purchase Agreements Payable--Due in More Than One Year	<u>94,710</u>
Total Noncurrent Liabilities	<u>115,016</u>
Total Liabilities	<u>126,110</u>
<b>NET ASSETS</b>	
Investment in Capital Assets	
Net of Related Debt	244,222
Restricted for Permanent Trust Fund	50,000
Unrestricted	<u>253,824</u>
Total Net Assets	<u><u>\$ 548,046</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2007**

**EXHIBIT B**

	<u>Governmental Activities</u>
Program Expenses	
Public Safety	\$ 246,178
Interest Expense	<u>1,930</u>
Total Program Expenses	<u>248,108</u>
Program Revenue	
Charges for Services	
Charges for Services	76,473
Operating Grants and Contributions	
Contributions From Local Units	124,811
Investment Earnings	3,516
Other	7,296
Capital Grants	
Contributions From Local Units	<u>49,252</u>
Total Program Revenue	<u>261,348</u>
Change in Net Assets	<u>13,240</u>
Net Assets	
Beginning of Year	<u>534,806</u>
End of Year	<u><u>\$ 548,046</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2007**

**EXHIBIT C**

	<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	Total Governmental Funds
	Operating	Capital Account	Permanent Trust
<b><u>ASSETS</u></b>			
Bank Deposits	\$ 189,202		\$ 50,000
Accounts Receivable (Net)	17,276		17,276
Due From Townships	19,976		19,976
Prepaid Expenses	8,464		8,464
Long-Term Receivable	30,000		30,000
Total Assets	<u>\$ 234,918</u>	<u>\$ -</u>	<u>\$ 50,000</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities			
Accounts Payable	\$ 8,997		\$ 8,997
Accrued Liabilities	2,097		2,097
Deferred Revenue	40,693		40,693
Total Liabilities	<u>51,787</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Equity			
Fund Balances			
Reserved for Permanent Trust			50,000
Unreserved--Undesignated	213,131		213,131
Total Fund Equity	<u>213,131</u>	<u>-</u>	<u>50,000</u>
Total Liabilities and Fund Equity	<u>\$ 264,918</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Fund Balances--Total Governmental Funds			\$ 263,131

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 are not reported in the funds.	359,238
Revenue that does not provide current financial resources are not reported as revenue in the funds.	40,693
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	<u>(115,016)</u>
Net Assets of Governmental Activities	<u>\$ 548,046</u>

**The Notes to Financial Statements are an integral part of this statement.**

**MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES--GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2007**

**EXHIBIT D**

	<b>SPECIAL REVENUE FUND</b>		<b>PERMANENT FUND</b>	Total Governmental Funds
	Operating	Capital Account	Permanent Trust	
Revenues				
Contributions From Local Units	\$ 94,811	\$ 49,252		\$ 144,063
Charges for Services	65,780			65,780
Interest and Rentals	1,391		\$ 2,125	3,516
Other Revenue	7,296			7,296
<b>Total Revenues</b>	<b>169,278</b>	<b>49,252</b>	<b>2,125</b>	<b>220,655</b>
Expenditures				
Public Safety	142,803			142,803
Capital Outlay	1,688			1,688
Debt Service				
Principal		48,330		48,330
Interest	1,008	922		1,930
<b>Total Expenditures</b>	<b>145,499</b>	<b>49,252</b>	<b>-</b>	<b>194,751</b>
Excess of Revenues Over (Under) Expenditures	23,779	-	2,125	25,904
Other Financing Sources (Uses)				
Interfund Transfers In	2,125			2,125
Interfund Transfers (Out)			(2,125)	(2,125)
<b>Total Other Financing Sources (Uses)</b>	<b>2,125</b>	<b>-</b>	<b>(2,125)</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	25,904	-	-	25,904
Fund Balance--January 1, 2007	187,227	-	50,000	237,227
Fund Balance--December 31, 2007	\$ 213,131	\$ -	\$ 50,000	\$ 263,131

Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses \$ 25,904

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. (101,687)

Long-term revenues are recorded in the Statement of Activities when the revenue is earned. They are not reported in the funds if collected after 60 days of year end. 40,693

Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt). 48,330

Change in Net Assets of Governmental Activities \$ 13,240

**The Notes to Financial Statements are an integral part of this statement.**

# MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Marcellus Area Emergency Services Association (MAESA) is an authority that was established by the Village of Marcellus and Marcellus Township to provide fire protection and ambulance services according to Public Act 33 of 1951. MAESA is governed by a six member board consisting of three members appointed by each unit.

The accounting policies of MAESA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by MAESA.

### REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the authority (the primary government) and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are 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.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by MAESA.

When both restricted and unrestricted resources are available for use, it is MAESA's policy to use restricted resources first, then unrestricted resources as they are needed.

MAESA reports the following major governmental funds:

The General Fund is MAESA's primary operating fund. It accounts for all financial resources of MAESA, except those required to be accounted for in another fund.

The Capital Account Fund accounts for the millage revenue that is reserved for capital purchases.

The Permanent Trust Fund accounts for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for the operations of MAESA.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Bank Deposits and Investments

The cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$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 market value at the date of donation.

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

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

Vehicles	7 years
Equipment	5 years

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities on the Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted by MAESA's board for the General Fund and Special Revenue Fund after a public hearing is held. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. MAESA monitors and amends the budget as necessary. Unexpended appropriations lapse at year end.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE C--BANK DEPOSITS

Michigan Compiled Laws 129.91, authorizes MAESA to deposit and invest in the accounts of Federally insured banks, credit unions, 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, bankers' acceptance 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 for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

MAESA has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. MAESA's deposits and investment policy are in accordance with statutory authority.

At year end, MAESA's bank deposits (checking and savings accounts, certificate of deposits) of \$239,202 are reported in the basic financial statements. The bank balance of the primary government's deposits is \$239,579, of which \$100,000 is covered by Federal depository insurance.

Investments Authorized by the MAESA's Investment Policy

MAESA's investment policy only authorizes investment in all those that are authorized by law. MAESA currently has no investments and, therefore, no disclosures relating to interest rate risk, concentration of credit risk, or custodial credit risk are disclosed.

NOTE D--TRANSFERS IN AND (OUT)

The 2007 operating transfers from Exhibit D can be summarized as follows:

	<u>Transfers In</u>		<u>Transfers (Out)</u>
General Fund	<u>\$ 2,125</u>	Permanent Trust	<u>\$ 2,125</u>
	<u>\$ 2,125</u>		<u>\$ 2,125</u>

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE E--CAPITAL ASSETS

Capital asset activity of the authority for the current year, as follows:

	Account Balances 01/01/07	Additions	Deductions	Account Balances 12/31/07
Capital Assets Being Depreciated				
Equipment--Fire	\$ 279,311	\$ 1,688		\$ 280,999
Equipment--Ambulance	34,637			34,637
Vehicles--Fire	731,025			731,025
Vehicles--Ambulance	208,511			208,511
<b>Total</b>	<b>1,253,484</b>	<b>1,688</b>	<b>\$ -</b>	<b>1,255,172</b>
Less Accumulated Depreciation				
Equipment--Fire	258,028	12,416		270,444
Equipment--Ambulance	22,052	3,932		25,984
Vehicles--Fire	449,650	57,240		506,890
Vehicles--Ambulance	62,829	29,787		92,616
<b>Total</b>	<b>792,559</b>	<b>103,375</b>	<b>-</b>	<b>895,934</b>
<b>Total Net Capital Assets</b>	<b>\$ 460,925</b>	<b>\$ 1,688</b>	<b>\$ 103,375</b>	<b>\$ 359,238</b>

NOTE F--LONG-TERM DEBT

The individual long-term debt and other long-term obligations of MAESA, and the changes therein, may be summarized as follows:

	Balance 01/01/07	Additions (Reductions)	Balance 12/31/07	Due Within One Year
MAESA promissory note for an installment purchase agreement for equipment, \$200,000 maturing serially through 2008 in amounts ranging from \$28,652 and \$38,376, and at an interest rate of 6%.	\$ 48,344	\$ (48,344)	-	
MAESA promissory note for an installment purchase agreement for equipment, \$115,016 maturing serially through 2012 in amounts ranging from \$20,305 and \$25,858, and at an interest rate of 6.25%.	115,016		\$115,016	\$ 20,306
<b>Totals</b>	<b>\$163,360</b>	<b>\$ (48,344)</b>	<b>\$115,016</b>	<b>\$ 20,306</b>

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE F--LONG-TERM DEBT (Continued)

Date of Issue: December 15, 2006

Amount: \$115,016

Purpose: Ambulance

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Maturity January 5</u>	<u>Annual Interest Payments</u>	<u>Total Annual Requirements</u>
6.00%	2008	\$ 20,306	\$ 7,388	\$ 27,694
	2009	21,574	5,920	27,494
	2010	22,923	4,572	27,495
	2011	24,355	3,138	27,493
	2012	<u>25,858</u>	<u>1,616</u>	<u>27,474</u>
Total		<u>\$ 115,016</u>	<u>\$ 22,634</u>	<u>\$137,650</u>

NOTE G--RISK MANAGEMENT

MAESA is exposed to various risks of loss related to property loss, torts, errors and omissions, and employees' injuries (workers' compensation). MAESA has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workman's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE H--LONG-TERM RECEIVABLE

On May 2, 2008, the Cass County Circuit Court awarded a judgment in the amount of \$30,000 in MAESA's favor against Volinia Township for services rendered in 2007. The amount is to be paid in two installments of \$15,000 before July 1, 2008 and July 1, 2009. The \$30,000 balance has been recorded as a long-term receivable in the financial statement and is offset by deferred revenue.

**MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
OPERATING FUND  
For the Year Ended December 31, 2007**

**EXHIBIT E**

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Contributions From Local Units	\$ 136,000	\$ 94,500	\$ 94,811	\$ 311
Charges for Services	51,000	74,000	65,780	(8,220)
Interest and Rentals	1,000	1,750	1,391	(359)
Other Revenue	1,550	2,250	7,296	5,046
Total Revenues	189,550	172,500	169,278	(3,222)
Expenditures				
Public Safety	171,550	155,300	142,803	12,497
Capital Outlay	2,000	1,700	1,688	12
Debt Service				
Principal	17,000	16,000	-	16,000
Interest	-	1,250	1,008	242
Total Expenditures	190,550	174,250	145,499	16,254
Excess of Revenues Over (Under) Expenditures	(1,000)	(1,750)	23,779	13,032
Other Financing Sources (Uses)				
Interfund Transfers In	1,000	1,750	2,125	375
Total Other Financing Sources (Uses)	1,000	1,750	2,125	375
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	25,904	25,904
Fund Balance--January 1, 2007	-	-	187,227	187,227
Fund Balance--December 31, 2007	\$ -	\$ -	\$ 213,131	\$ 213,131

**MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND--CAPITAL ACCOUNT  
For the Year Ended December 31, 2007**

**EXHIBIT F**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Contributions From Local Units	\$ 42,000	\$ 49,252	\$ 49,252	-
Total Revenues	42,000	49,252	49,252	\$ -
Expenditures				
Debt Service				
Principal	42,000	48,330	48,330	-
Interest	-	922	922	-
Total Expenditures	42,000	49,252	49,252	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance--January 1, 2007	-	-	-	-
Fund Balance--December 31, 2007	\$ -	\$ -	\$ -	\$ -

**The Notes to Financial Statements are an integral part of this statement.**

**MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION**  
**STATEMENT OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended December 31, 2007**

**EXHIBIT G**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b><u>REVENUES</u></b>				
Contributions From Local Units				
Contributions From Townships	\$ 136,000	\$ 94,500	\$ 94,811	\$ 311
Total Contributions From Local Units	136,000	94,500	94,811	311
Charges for Services				
Ambulance Department Runs	47,000	70,000	61,777	(8,223)
Fire Department Runs	4,000	4,000	4,003	3
Total Charges for Services	51,000	74,000	65,780	(8,220)
Interest				
Interest	1,000	1,750	1,391	(359)
Total Interest	1,000	1,750	1,391	(359)
Other Revenue				
Other			574	574
Donations and Memorials	1,550	2,250	6,722	4,472
Total Other Revenue	1,550	2,250	7,296	5,046
Total Revenue	189,550	172,500	169,278	(3,222)
Other Financing Sources				
Operating Transfers In	1,000	1,750	2,125	375
Total Other Financing Sources	1,000	1,750	2,125	375
Total Revenue and Other Financing Sources	\$ 190,550	\$ 174,250	\$ 171,403	\$ (2,847)

**MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION**  
**STATEMENT OF EXPENDITURES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended December 31, 2007**

**EXHIBIT H**

	Orginal Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Safety				
Ambulance Department				
Wages Expense	42,350	\$ 35,050	\$ 29,466	\$ 5,584
Training and Mileage	3,000	3,000	2,996	4
Office Supplies	1,500	2,000	1,079	921
Operating Supplies	8,200	8,500	8,197	303
Postage and Shipping	154	154	154	-
Gas, Oil and Grease	3,600	2,700	2,889	(189)
Repairs and Maintenance	3,000	3,000	887	2,113
Collection Fees	26,100	24,130	24,214	(84)
Runs and Meetings	-	4,000	3,720	280
Audit Services	550	535	534	1
License Fees	350	335	335	-
Telephone	1,200	1,200	1,143	57
Radio Expense	3,000	1,000	762	238
Printing Expense	34	84	121	(37)
Dues and Publications	160	160	160	-
Other Expenses	-	-	538	(538)
Insurance	9,000	11,000	10,210	790
Rent	4,000	4,000	4,000	-
Total Ambulance Department	<u>\$ 106,198</u>	<u>100,848</u>	<u>91,405</u>	<u>9,443</u>
Fire Department				
Wages Expense	5,200	5,200	5,200	-
Training and Mileage	1,500	4,500	4,324	176
Office Supplies	1,500	2,000	1,079	921
Operating Supplies	6,000	2,050	1,742	308
Postage and Shipping	154	154	154	-
Gas, Oil and Grease	5,000	2,000	1,805	195
Repairs and Maintenance	9,000	3,650	1,812	1,838
Collection Fees	1,965	965	2,073	(1,108)
Runs and Meetings	10,000	6,500	6,250	250
Audit Services	1,500	1,500	1,356	144
License Fees	35	35	35	-
Telephone	1,000	650	608	42
Radio Expense	5,000	5,700	5,627	73
Printing Expense	34	84	121	(37)
Dues and Publications	465	465	465	-
Other Expenses	-	-	538	(538)
Insurance	9,000	11,000	10,210	790
Rent	8,000	8,000	8,000	-
Total Fire Department	<u>65,353</u>	<u>54,453</u>	<u>51,399</u>	<u>3,054</u>
Total Public Safety	<u>171,550</u>	<u>155,300</u>	<u>142,803</u>	<u>12,497</u>
Capital Outlay				
Fire Department	<u>2,000</u>	<u>1,700</u>	<u>1,688</u>	<u>12</u>
Total Capital Outlay	<u>2,000</u>	<u>1,700</u>	<u>1,688</u>	<u>12</u>
Debt Service				
Principal Payments	17,000	16,000	-	16,000
Interest Expense	-	1,250	1,008	242
Total Debt Service	<u>17,000</u>	<u>17,250</u>	<u>1,008</u>	<u>16,242</u>
Total Expenditures	<u>\$ 190,550</u>	<u>\$ 174,250</u>	<u>\$ 145,499</u>	<u>\$ 28,751</u>



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

May 28, 2008

Marcellus Area Emergency Services Association  
Board of Trustees  
177 East Main Street  
P.O. Box 367  
Marcellus, Michigan 49067

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities and each major fund of the Marcellus Area Emergency Services Association (MAESA) as of and for the year ended December 31, 2007, which collectively comprise the MAESA's basic financial statements and have issued our report thereon dated May 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MAESA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MAESA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MAESA's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects MAESA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of MAESA's financial statements that is more than inconsequential will not be prevented or detected by the MAESA's internal control. We consider the deficiencies described in the accompanying

Schedule of Findings to be significant deficiencies in internal control over financial reporting and are documented as Finding 2007-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by MAESA's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider Finding 2007-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether MAESA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings as Finding 2007-2.

This report is intended solely for the information of MAESA's Board and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

## SCHEDULE OF FINDINGS

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect the Marcellus Area Emergency Services Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Marcellus Area Emergency Services Association's financial statements that is more than inconsequential will not be prevented or detected by the Association's internal control. Listed below are significant deficiencies in the internal control that are material weaknesses.

### Cash Disbursements--Segregation of Duties

*Finding 2007-1*

*Condition:* As in the case with many organizations of similar size, MAESA lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. The person responsible for invoice processing and accounts payable is also responsible for general ledger. There is no cross training for the accounts payable function.

*Criteria:* According to the "Accounting Procedures Manual for Local Units of Government," duties must be segregated among different people to reduce the risk of errors or misappropriations. No one person should have control over all aspects of the financial transactions. An individual is not to have responsibility for more than one of the three transaction components: authorization, custody and recordkeeping.

*Recommendation:* We encourage management to actively seek ways to further strengthen its internal controls by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible. We recommend that the accounts payable duties be segregated and that cross training be implemented.

### STATUTORY NONCOMPLIANCE

Our examination revealed the following instances of noncompliance with State statutes.

### Adoption of Budget at Beginning of Year

*Finding 2007-2*

*Condition:* The 2007 and 2008 budgets were not adopted until after the start of the fiscal year. At the start of both years, MAESA was incurring expenditures in excess of the budget (because there was no budget adopted).

*Criteria:* According to Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act, local governmental units are required to adopt their General Appropriation Act prior to the start of the ensuing fiscal year. The General Appropriation must also balance and contain the amount of surplus or deficit that has accumulated from prior fiscal years, together with an estimate of the amount of surplus or deficit expected in the current fiscal year.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

SCHEDULE OF FINDINGS

STATUTORY NONCOMPLIANCE (Continued)

Section 18 (3) states: “Except as otherwise provided in section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. The chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money of the local unit for purposes inconsistent with those specified in the appropriations of the legislative body.”

*Directive:* We direct MAESA to comply with the above statutory budgeting requirements and that the board take appropriate action to ensure that the budget is adopted in a timely manner as required by law.