

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 DeWitt Area Emergency Services Authority	County Clinton
Fiscal Year End 6/30/2007	Opinion Date 10/11/2007	Date Audit Report Submitted to State 10/19/2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

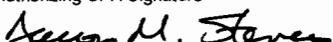
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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 checked="" type="checkbox"/>	Not Applicable	
Certified Public Accountant (Firm Name) Abraham & Gaffney P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State Zip MI 48823
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA		License Number 1101024055

**DeWitt Area Emergency Services Authority
DeWitt, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

DeWitt Area Emergency Services Authority

DeWitt, Michigan

June 30, 2007

AUTHORITY BOARD MEMBERS

Mr. Gail Watkins	Chair
Mr. Don Potts	Vice-Chair
Mr. Bob McClean	Secretary/Treasurer
Mr. Bob Jesse	Board Member
Mr. Roy Thelen	Board Member
Mr. Tim Kangas	Board Member

DeWitt Area Emergency Services Authority

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the DeWitt Area
Emergency Services Authority
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 11, 2007

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

This section of the DeWitt Area Emergency Services Authority's annual report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2007. This discussion and analysis of financial performance also provides a comparison overview of the Authority's financial activities for the fiscal years ended June 30, 2006 and 2007. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

The Management's Discussion and Analysis, a requirement of GASB 34, is intended to provide citizens, taxpayers, customers, and investors with a better understanding of how the Authority's money and other assets are managed.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$651,967 (net assets).
- The Authority's total net assets decreased by \$57,665, as the result of current year activity.
- The General Fund finished the 2006-2007 fiscal year with an increase to fund balance of \$71,069. The ending fund balance for the 2006-2007 fiscal year for the General Fund was \$317,142.

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 DeWitt Area Emergency Services Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the DeWitt Area Emergency Services Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 336,872	\$ 255,665
Capital assets, net of accumulated depreciation	<u>334,220</u>	<u>410,515</u>
Total assets	671,092	666,180
Liabilities		
Current liabilities	<u>19,125</u>	<u>8,448</u>
Net Assets		
Invested in capital assets, Net of related debt	334,220	410,515
Restricted for contributors purpose	605	1,144
Unrestricted	<u>317,142</u>	<u>246,073</u>
Total net assets	<u>\$ 651,967</u>	<u>\$ 657,732</u>

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

The Authority's total net assets were \$651,967 at June 30, 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$317,142 at the end of the fiscal year. The net assets invested in capital assets were at \$334,220. The balance of \$605 was restricted for contributor's purposes.

The following table shows the changes in net assets during the current and previous year.

	<u>2007</u>	<u>2006</u>
Revenue		
Program Revenue:		
Operating grants and contributions	\$ 265,111	\$ 249,300
Capital grants and contributions	-	59,050
General revenue:		
Investment income	6,427	893
Other revenue	<u>15</u>	<u>7,006</u>
Total revenue	271,553	316,249
Program Expenses		
Public safety	<u>277,318</u>	<u>262,093</u>
Change in Net Assets	<u>\$(5,765)</u>	<u>\$ 54,156</u>

Governmental Activities

The Authority's governmental revenues totaled \$271,553 with the greatest revenue source being operating contributions from the constituent municipalities. Operating contributions from the constituent municipalities make up approximately 97 percent of total governmental revenue.

The Authority incurred expenses of \$277,318 during the year. As a special purpose government, all of the governmental expenses incurred are associated with the public safety function.

The Authority's Funds

The analysis of the Authority's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the individual funds, not the DeWitt Area Emergency Services Authority as a whole. The DeWitt Area Emergency Services Authority's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's only major fund for the fiscal year ended June 30, 2007 was the General Fund.

The General Fund pays for all of the Authority's governmental services. The sole service provided during the fiscal year was emergency management, which incurred expenditures of approximately \$199,973 for the fiscal year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Authority Board made necessary budget adjustments to fund unanticipated expenditures during the year. Total General Fund expenditures came in \$231,967 under the budgeted appropriation.

Capital Asset Administration

At the end of the fiscal year, the Authority had \$334,220 invested in emergency service vehicles and building improvements (net of accumulated depreciation).

DeWitt Area Emergency Services Authority

Management's Discussion and Analysis

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City of DeWitt Treasurer, 414 East Main Street, DeWitt, MI 48820.

BASIC FINANCIAL STATEMENTS

DeWitt Area Emergency Services Authority

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Current	
Cash	\$ 268,606
Prepays	<u>68,266</u>
Total current assets	336,872
Noncurrent	
Capital assets, net of accumulated depreciation	<u>334,220</u>
TOTAL ASSETS	671,092
LIABILITIES	
Current	
Accounts payable	5,877
Accrued wages	11,845
Accrued liabilities	<u>1,403</u>
TOTAL LIABILITIES	<u>19,125</u>
NET ASSETS	
Invested in capital assets	334,220
Restricted for contributor's purposes	605
Unrestricted	<u>317,142</u>
TOTAL NET ASSETS	<u>\$ 651,967</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities			
Public safety	\$ 277,318	\$ 265,111	\$ (12,207)
General revenues:			
Investment income			6,427
Miscellaneous			15
Total general revenues			<u>6,442</u>
CHANGE IN NET ASSETS			(5,765)
Net assets, beginning of year			<u>657,732</u>
Net assets, end of year			<u>\$ 651,967</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

	General	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS			
Cash	\$ 268,001	\$ 605	\$ 268,606
Prepays	68,266	-	68,266
TOTAL ASSETS	\$ 336,267	\$ 605	\$ 336,872
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 5,877	\$ -	\$ 5,877
Accrued wages	11,845	-	11,845
Accrued liabilities	1,403	-	1,403
TOTAL LIABILITIES	19,125	-0-	19,125
FUND BALANCES			
Reserved for prepaids	68,266	-	68,266
Reserved for contributors' purposes	-	605	605
Unreserved			
Undesignated, reported in General Fund	248,876	-	248,876
TOTAL FUND BALANCES	317,142	605	317,747
TOTAL LIABILITIES AND FUND BALANCES	\$ 336,267	\$ 605	\$ 336,872

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balance - governmental funds		\$ 317,747
 Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	\$ 1,016,842	
Accumulated depreciation is	<u>(682,622)</u>	
Capital assets, net		<u>334,220</u>
Net assets of governmental activities		<u><u>\$ 651,967</u></u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	General	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES			
Intergovernmental			
City and Townships	\$ 264,600	\$ -	\$ 264,600
Interest	6,427	-	6,427
Other	15	511	526
	<u>271,042</u>	<u>511</u>	<u>271,553</u>
TOTAL REVENUES	271,042	511	271,553
EXPENDITURES			
Current			
Salaries and wages	75,947	-	75,947
Fringe benefits	12,936	-	12,936
Supplies	9,668	-	9,668
Gas and oil	2,138	-	2,138
Contractual services	17,162	-	17,162
Telephone	1,497	-	1,497
Radio	286	-	286
Printing and publishing	1,092	-	1,092
Dues and subscriptions	472	-	472
Insurance	17,045	-	17,045
Utilities	4,771	-	4,771
Repairs and maintenance	16,935	-	16,935
Legal fees	1,476	-	1,476
Rent	12,240	-	12,240
Training	2,907	-	2,907
Other	4,559	1,050	5,609
Capital outlay	18,842	-	18,842
	<u>199,973</u>	<u>1,050</u>	<u>201,023</u>
TOTAL EXPENDITURES	199,973	1,050	201,023
NET CHANGE IN FUND BALANCES	71,069	(539)	70,530
Fund balances, beginning of year	<u>246,073</u>	<u>1,144</u>	<u>247,217</u>
Fund balances, end of year	<u>\$ 317,142</u>	<u>\$ 605</u>	<u>\$ 317,747</u>

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Net change in fund balances - governmental funds \$ 70,530

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	4,400	
Depreciation expense	<u>(80,695)</u>	
Excess of depreciation expense over capital outlay		<u>(76,295)</u>

Change in net assets of governmental activities \$ (5,765)

See accompanying notes to financial statements.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DeWitt Area Emergency Services Authority was created in 2001 by a joint venture agreement between the Townships of Olive and Riley and the City of DeWitt. Each municipality appoints two (2) members to the Board. The Fire Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with Public Act 7 and the joint venture agreement between the constituent municipalities.

Each municipality is required to contribute quarterly to the annual budget of the Authority based on an agreed upon funding formula. The total budget is spread to the three (3) municipalities based on weighted averages of the following: State Equalized Value, Population, Occupied Households, and number of runs within each unit's boundaries. Other responsibilities, including procedures for termination of services, are explicitly detailed in the joint venture agreement.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the DeWitt Area Emergency Services Authority. The DeWitt Area Emergency Services Authority is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). Interfund activity has been eliminated in the preparation of the government-wide financial statements.

The statement of activities presents the direct functional expenses of the government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Authority's individual major fund and aggregated nonmajor funds. The major individual governmental fund is reported as a separate column in the fund financial statements.

The major fund of the Authority is:

- a. The General Fund is the used to account for all financial resources to be used for fire protection services provided to each participating municipality.

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

5. Capital Assets

Capital assets include vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$3,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Vehicles	5 - 10 years
Building improvements	15 years

6. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

The General Fund budget shown in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the budget is legally adopted on a fund level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity must be approved by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

NOTE B: CASH

DeWitt Area Emergency Services Authority's deposits consist of checking accounts, which are reported as cash on the financial statements.

In accordance with Michigan Compiled Laws, the DeWitt Area Emergency Services Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the DeWitt Area Emergency Services Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the DeWitt Area Emergency Services Authority.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2007, the carrying amount and bank balance for the checking accounts as reported on the financial statements were \$268,606 and \$271,271, respectively. As of June 30, 2007, the Authority's accounts were insured by the FDIC for \$100,000 and the amount of \$171,271 was uninsured.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities				
Capital assets being depreciated				
Vehicles	\$ 953,392	\$ 4,400	\$ -	\$ 957,792
Building improvements	<u>59,050</u>	<u>-</u>	<u>-</u>	<u>59,050</u>
Total capital assets being depreciated	1,012,442	4,400	-0-	1,016,842
Less accumulated depreciation for:				
Vehicles	(599,959)	(76,758)	-	(676,717)
Building improvements	<u>1,968</u>	<u>(3,937)</u>	<u>-</u>	<u>(5,905)</u>
Total accumulated depreciation	<u>(601,927)</u>	<u>(80,695)</u>	<u>-0-</u>	<u>(682,622)</u>
Capital assets, net	<u>\$ 410,515</u>	<u>\$(76,295)</u>	<u>\$ -0-</u>	<u>\$ 334,220</u>

NOTE D: RISK MANAGEMENT

The Authority participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE D: RISK MANAGEMENT - CONTINUED

The Authority also participates in a State pool, the Michigan Municipal Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Authority has not been informed of any special assessments being required.

NOTE E: RELATED PARTY NON-CANCELABLE OPERATING LEASE

The DeWitt Area Emergency Services Authority has entered into a ten year, non-cancelable long-term lease with the City of DeWitt, a related party organization, for the use of the fire station. The total rental payments made to the City of DeWitt for the year ended June 30, 2007, were \$12,000. Future minimum payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2008	\$ 12,000
2009	12,000
2010	12,000
2011	12,000
2012	<u>6,000</u>
TOTAL PAYMENTS	<u>\$ 54,000</u>

NOTE F: FUND EQUITY RESERVES

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific use.

The following are the fund balance reserves as of June 30, 2007:

General Fund	
Reserved for prepaids	\$ <u>68,266</u>
Nonmajor governmental fund	
Reserved for contributors' purposes	\$ <u>605</u>

NOTE G: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following is the net asset restriction as of June 30, 2007:

Governmental activities	
Restricted for contributors' purposes	\$ <u>605</u>

DeWitt Area Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE H: SIMPLE IRA

During the fiscal year ended June 30, 2007, the Authority established a SIMPLE IRA with Wachovia Corporation for the sole benefit of its employees. Employees may elect to contribute amounts ranging from 0 to 10 percent of their compensation. The Authority will match employee contributions at a rate of 50%, up to 5% of the employee's compensation. All employees of the Authority are eligible to participate.

For the year ended June 30, 2007, the Authority had a total payroll of \$75,947. The retirement plan had a covered payroll of \$57,165. The Authority made employer contributions to the retirement plan in the amount of \$2,902.

NOTE I: SUBSEQUENT EVENT

Subsequent to year end the Authority purchased a new fire truck for \$219,364 with available resources.

REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Area Emergency Services Authority

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental				
City and Townships	\$ 264,600	\$ 264,600	\$ 264,600	\$ -0-
Interest	400	6,280	6,427	147
Other	-	15	15	-0-
TOTAL REVENUES	265,000	270,895	271,042	147
EXPENDITURES				
Current				
Salaries and wages	81,300	76,300	75,947	353
Fringe benefits	20,100	14,600	12,936	1,664
Supplies	9,400	9,900	9,668	232
Gas and oil	1,600	4,100	2,138	1,962
Contractual services	31,750	17,350	17,162	188
Telephone	1,300	1,700	1,497	203
Radio	600	300	286	14
Conference and travel	2,000	2,000	2,707	(707)
Printing and publishing	3,000	2,000	1,092	908
Dues and subscriptions	500	500	472	28
Insurance	18,200	18,200	17,045	1,155
Utilities	5,200	5,200	4,771	429
Repairs and maintenance	20,000	20,000	16,935	3,065
Legal fees	1,500	1,500	1,476	24
Rent	12,000	12,240	12,240	-0-
Training	2,000	500	200	300
Other	4,500	5,500	4,559	941
Capital outlay	50,050	240,050	18,842	221,208
TOTAL EXPENDITURES	265,000	431,940	199,973	231,967
NET CHANGE IN FUND BALANCE	-0-	(161,045)	71,069	232,114
Fund balance, beginning of year	246,073	246,073	246,073	-0-
Fund balance, end of year	<u>\$ 246,073</u>	<u>\$ 85,028</u>	<u>\$ 317,142</u>	<u>\$ 232,114</u>

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS**

Members of the DeWitt Area
Emergency Services Authority
DeWitt, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the DeWitt Area Emergency Services Authority as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

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

PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

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

The condition noted in the preceding paragraph exists at the DeWitt Area Emergency Services Authority. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

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

We recommend the Authority consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand the requirements for the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by us during the course of our audit. The journal entries were required to correct misstatements that caused the financial statements not to be presented in accordance with generally accepted accounting principles. These misstatements were not detected by the Authority's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

We recommend that the Authority take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

A material weakness is a significant deficiency, or a 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 the Authority'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 or material weaknesses. We believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 no instances of noncompliance or other matters.

This report is intended solely for the information and use of management, the members of the board, and others within the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 11, 2007