

# 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 <b>North Alert EMS Ambulance Authority</b>		County <b>Dickinson</b>	
Fiscal Year End <b>12/31/07</b>		Opinion Date <b>3/20/08</b>		Date Audit Report Submitted to State <b>4/4/08</b>			

We affirm that:

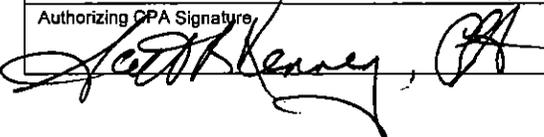
We are certified public accountants licensed to practice in Michigan.

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.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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) <b>Scott R. Kenney, CPA</b>		Telephone Number <b>906-875-4393</b>		
Street Address <b>1374 Commercial Avenue, Suite 1</b>		City <b>Crystal Falls</b>	State <b>MI</b>	Zip <b>49920</b>
Authorizing CPA Signature 		Printed Name <b>Scott R. Kenney</b>		License Number <b>11483</b>

**NORTH ALERT EMS AMBULANCE AUTHORITY**

**AUDITED FINANCIAL STATEMENTS**

Year Ended December 31, 2007

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# SCOTT R. KENNEY

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## INDEPENDENT AUDITOR'S REPORT

Authority Board  
North Alert EMS Ambulance Authority  
Norway, MI 49870

I have audited the accompanying financial statements of the business-type activities and each major fund of the North Alert EMS Ambulance Authority (Authority), as of and for the year ended December 31, 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 appointed officials and management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the North Alert EMS Ambulance Authority as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, 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 on pages 4 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

  
Certified Public Accountant  
March 20, 2008

Member  
American Institute of Certified Public Accountants  
Michigan Association of Certified Public Accountants

NORTH ALERT EMS AMBULANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2007

Using this Annual Report

This annual report consists of a series of financial statements. Since the Authority provides ambulance services to the residents of the participating municipalities, only one business type fund is required and maintained. The Statements provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

The Authority as a Whole

The Authority's combined net assets increased 41.7% from a year ago - increasing from \$151 thousand to \$214 thousand. This is attributed to a larger number of ambulance calls and very low operating costs due to the volunteer nature of the Authority. Capital spending was limited to the purchase of necessary equipment, which were capitalized and are being depreciated. In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of the current date to the prior year:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 0	\$ 0	\$ 129	\$ 84	\$ 129	\$ 84
Noncurrent Assets	<u>0</u>	<u>0</u>	<u>93</u>	<u>102</u>	<u>93</u>	<u>102</u>
<b>Total Assets</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 222</b>	<b>\$ 186</b>	<b>\$ 222</b>	<b>\$ 186</b>
Long-Term Debt Outstanding	\$ 0	\$ 0	\$ 0	\$ 27	\$ 0	\$ 27
Other Liabilities	<u>0</u>	<u>0</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8</b>	<b>\$ 35</b>	<b>\$ 8</b>	<b>\$ 35</b>
<b>Net Assets</b>						
Invested in Capital Assets—Net of Debt	\$ 0	\$ 0	\$ 93	\$ 75	\$ 93	\$ 75
Unrestricted (Deficit)	<u>0</u>	<u>0</u>	<u>121</u>	<u>76</u>	<u>121</u>	<u>76</u>
<b>Total Net Assets</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 214</b>	<b>\$ 151</b>	<b>\$ 214</b>	<b>\$ 151</b>

**NORTH ALERT EMS AMBULANCE AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2007

The following table shows the changes of the net assets (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 0	\$ 0	\$ 62	\$ 61	\$ 62	\$ 61
Operating Grants and Contributions	0	0	0	0	0	0
Capital Grants and Contributions	0	0	0	0	0	0
General Revenues						
Property Taxes	\$ 0	\$ 0	\$ 59	\$ 57	\$ 59	\$ 57
Unrestricted Investment Earnings	0	0	2	2	2	2
Transfers and Other Revenue	0	0	0	0	0	0
Total Revenues	\$ 0	\$ 0	\$ 123	\$ 120	\$ 123	\$ 120
Program Expenses						
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest on Long-Term Debt	0	0	0	1	0	1
Ambulance	0	0	60	58	60	58
Total Expenses	\$ 0	\$ 0	\$ 60	\$ 59	\$ 60	\$ 59
Change in Net Assets	\$ 0	\$ 0	\$ 63	\$ 61	\$ 63	\$ 61

The Authority's net assets continue to grow. The volunteer nature of the Authority and the increased number of ambulance calls has allowed the Authority to better its financial position.

**Capital Asset and Debt Administration**

At the end of 2007, the Authority had more than \$139,000 invested in capital assets. The debt on those capital assets has been paid in full during the year. The Authority is currently examining its financial position and is anticipating further capital expenditures including the possibility of adding a second ambulance to the fleet.

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

The Authority's budget for 2008 calls for a continuation of property taxes and the number of calls to remain steady. Using these assumptions, the Authority will continue to strengthen its financial position while providing incentive for individuals to join the Authority as ambulance attendants. A minimal increase in rates will be considered during the fiscal year.

NORTH ALERT EMS AMBULANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2007

Contacting the Authority's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show 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 Authority's office located at the City of Norway Fire Hall.

NORTH ALERT EMS AMBULANCE AUTHORITY  
STATEMENT OF NET ASSETS  
BUSINESS TYPE FUND  
December 31, 2007

ASSETS

Current Assets:		
Cash and equivalents	\$	115,241
Accounts receivable		<u>13,498</u>
	TOTAL CURRENT ASSETS	\$ 128,739
Property, Plant and Equipment:		
Ambulance and equipment	\$	139,681
Less accumulated depreciation		<u>(46,767)</u>
	TOTAL PROPERTY, PLANT AND EQUIPMENT	\$ <u>92,914</u>
	TOTAL ASSETS	\$ 221,653

LIABILITIES

Current Liabilities:		
Accounts payable	\$	7,717
Current portion of long term debt		<u>0</u>
	TOTAL CURRENT LIABILITIES	\$ 7,717
Long Term Liabilities - Notes payable	\$	<u>0</u>
	TOTAL LIABILITIES	\$ <u>7,717</u>

NET ASSETS

Invested in capital assets - net of related debt	\$	92,914
Unrestricted		<u>121,022</u>
	TOTAL NET ASSETS	\$ <u><u>213,936</u></u>

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

NORTH ALERT EMS AMBULANCE AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
BUSINESS TYPE FUND  
Year ended December 31, 2007

OPERATING REVENUES			
Charges to patients, net of insurance adjustments		\$	61,972
Property tax revenues			59,136
Donations/contributions			<u>25</u>
TOTAL OPERATING REVENUES		\$	121,133
OPERATING EXPENSES			
Ambulance operations:			
Contracted services	\$	10,298	
Advanced life support services		13,500	
Medical supplies		4,320	
Uniforms and clothing		112	
Training and education		714	
Fuel and maintenance		<u>3,392</u>	\$ 32,336
General and administrative			
Billing services	\$	3,515	
Insurance		4,629	
Licenses		722	
Office supplies		897	
Rent		3,850	
Telephone		<u>418</u>	14,031
Depreciation			13,674
Interest and fees			<u>431</u>
TOTAL OPERATING EXPENSES		\$	<u>60,472</u>
OPERATING INCOME		\$	60,661
NON-OPERATING INCOME (EXPENSE)			
Interest			<u>2,252</u>
NET INCOME (LOSS)		\$	62,913
Net assets - beginning			<u>151,023</u>
NET ASSETS - ENDING		\$	<u><u>213,936</u></u>

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

NORTH ALERT EMS AMBULANCE AUTHORITY  
STATEMENT OF CASH FLOWS  
BUSINESS TYPE FUND  
Year ended December 31, 2007

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 65,745
Receipts from taxes	59,136
Payments to suppliers	(35,804)
Payments to attendants	<u>(10,298)</u>
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	\$ 78,779
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments on capital debt	\$ (27,678)
Purchases of capital assets	<u>(4,599)</u>
<b>TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	\$ (32,277)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned	\$ 2,252
Investments purchased	<u>0</u>
<b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>	\$ <u>2,252</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	\$ 48,754
Cash and equivalents - beginning	<u>66,487</u>
<b>CASH AND EQUIVALENTS - ENDING</b>	\$ <u><u>115,241</u></u>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ 60,661
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	13,674
Interest	431
Change in Assets and Liabilities	
Receivables - net	3,748
Accounts payable	<u>265</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ <u><u>78,779</u></u>

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

NORTH ALERT EMS AMBULANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

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

The accounting policies of the North Alert EMS Ambulance Authority (Authority) 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 the Authority:

**Reporting Entity**

The Authority is governed by an appointed eight member board (Board). The accompanying financial statements represent the entire government as the Authority does not have any component units that are required to be presented, either discretely or blended.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government consists of only a single proprietary type fund as is required by accounting principles generally accepted in the United States of America.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority's proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of services, administrative expenses, depreciation on capital assets and debt costs associated with financing arrangements. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**NORTH ALERT EMS AMBULANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Assets or Equity**

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

Receivables and Payables—All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Capital Assets— Capital assets, which include property and equipment, are reported in the applicable business-type activities. 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Vehicles	5 to 10 years
Office Equipment	3 to 7 years
Other Equipment	3 to 15 years

Long-Term Obligations— In the financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

**Comparative Data/Reclassifications**

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NORTH ALERT EMS AMBULANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Authority Board did not adopt a budget for its operations for the 2007 fiscal year.

**NOTE C - ACCUMULATED UNRESERVED/UNDESIGNATED FUND DEFICITS**

The Authority does not have any funds with an accumulated unreserved/undesignated fund balance/retained earnings deficit as of December 31, 2007.

**NOTE D - CASH AND EQUIVALENTS**

At year end, the carrying amount of the Authority's deposits (checking, savings, money market and short term certificates of deposit) was \$115,241. The Authority's deposits are in accordance with statutory authority. The bank balance is classified as to credit risk as follows:

Amount insured by the F.D.I.C.	\$ 115,241
	<u><u>                  </u></u>

**NOTE E - ACCOUNTS RECEIVABLE**

The Authority utilizes an outside service for performing its patient and insurance billings. Funds are deposited into the Authority's checking account and reports are forwarded to the Authority showing charges, collections, accounts receivable, etc.

NORTH ALERT EMS AMBULANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007

**NOTE F - LONG TERM DEBT**

**2004 NOTES PAYABLE**

On February 27, 2004, the Authority executed a loan with the First National Bank of Norway. These funds were used to refinance a loan that had been used to acquire and equip an ambulance. All of the Authority's assets were pledged as collateral on the balance.

The repayment of the loan began in March, 2004 with monthly payments of \$2,729.43 over a five year period of time with interest charged at the rate of 3.75% per annum. The loan was paid in full during the past fiscal year.

**NOTE G - RISK MANAGEMENT**

The North Alert EMS Ambulance Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The North Alert EMS Ambulance Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

# SCOTT R. KENNEY

*Certified Public Accountant*

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Crystal Falls, Michigan 49920  
(906) 875-4393 Fax: (906) 875-3879

Authority Board  
North Alert EMS Ambulance Authority  
Norway, MI 49870

In conjunction with the audit of the general purpose financial statements of the North Alert EMS Ambulance Authority (Authority) as of and for the year ended December 31, 2007, I have reviewed the Authority's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the Authority's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the Authority Board and management and should not be presented or quoted to anyone outside of the Authority because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof. Statement on Audit Standard Number 112 (SAS 112) requires that I inform the Authority of all significant control deficiencies and those control deficiencies be split into one of two types. The two types of control deficiencies are "significant deficiencies" and "material weaknesses". A significant deficiency is defined as a control deficiency that has more than a remote likelihood that the entity's ability to initiate, authorize, record, process or report financial data in compliance with accounting principles generally accepted in the United States of America will be adversely affected and that such affect will be more than inconsequential. A material weakness is defined as a significant deficiency(ies) that could have a material affect on the financial statements. None of the comments below are repeated from the prior year.

## **SIGNIFICANT DEFICIENCIES**

1. **OBSERVATION** - As is the case with many smaller and medium-sized entities, the Authority has relied on its independent external auditors to assist in the preparation of the financial statements. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls. The Authority has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

1. **RECOMMENDATION** - I recommend that the City continue to outsource the preparation of its financial statements in conformance with the findings stated above.
2. **OBSERVATION** - The Authority has not maintained its detailed accounts receivable balances nor has it used the accrual basis of accounting.

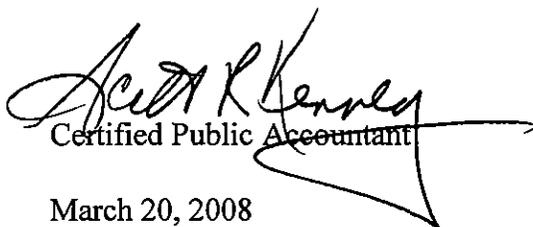
**RECOMMENDATION** - I strongly recommend that the Authority implement maintaining its financial records using the accrual basis of accounting including detailed accounts receivable. This will enable the Authority to verify that billings and collections are being completed timely and properly posted.

3. **OBSERVATION** - The Authority has not increased its charge for Basic Life Support (BLS) transports in several years. This has resulted in the charge falling below the "reasonable and customary" insurance allowable amount.

**RECOMMENDATION** - I recommend that the charges for BLS runs be reviewed and increased as appropriate. In addition, I recommend that all of the charges be reviewed at least annually and adjusted as appropriate.

I would like to thank the Authority Board for allowing me to conduct the audit of the financial statements and I would especially like to thank Chris Spence for her assistance during the audit.

If the Authority would like my assistance in implementing any of the above recommendations, I am willing to help in any way that I can.

  
Certified Public Accountant

March 20, 2008