

# 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 Beaverton Area Fire Protection District	County Gladwin
Fiscal Year End March 31, 2007	Opinion Date September 7, 2007	Date Audit Report Submitted to State September 20, 2007	

We affirm that:

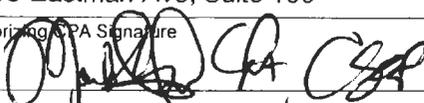
We are certified public accountants licensed to practice in Michigan.

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 | <b>Check each applicable box below.</b> (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 type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number 989-835-7721		
Street Address 5915 Eastman Ave, Suite 100		City Midland	State MI	Zip 48640
Authorizing CPA Signature 		Printed Name Mark R. Freed, CPA, CSEP		License Number 1101012221

**BEAVERTON AREA  
FIRE PROTECTION DISTRICT  
GLADWIN COUNTY, MICHIGAN**

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

# BEAVERTON AREA FIRE PROTECTION DISTRICT

## Board Members

City of Beaverton

Clark Wentz  
Jerry Malosh

Beaverton Township

Madalyn Hubble  
Jan Posey

Tobacco Township

Craig Bergman  
James Andrist

Fire Chief

Dean Mathews

Administrator

Jill Nau

**BEAVERTON AREA FIRE PROTECTION DISTRICT**

**TABLE OF CONTENTS**

**FINANCIAL SECTION:**

Independent Auditors' Report.....1

**BASIC FINANCIAL STATEMENTS:**

Governmental Fund Balance Sheet/  
Statement of Net Assets (Exhibit 1).....2

Statement of Governmental Revenue, Expenditures and  
Changes in Fund Balances/Statement of Activities (Exhibit 2).....3

Notes to Financial Statements..... 4-9

**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule (Exhibit 3) .....10

**Independent Auditors' Report**

Members of the Administrative Board  
Beaverton Area Fire Protection District  
Gladwin County, Michigan

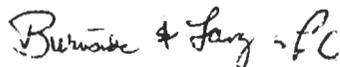
We have audited the accompanying financial statements of the Beaverton Area Fire Protection District (the "District"), Gladwin County, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Administrative Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Beaverton Area Fire Protection District, Gladwin County, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on page 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the 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.



Midland, Michigan  
September 7, 2007

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
**March 31, 2007**

	<b>General Fund Modified Accrual Basis</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 142,403	\$ -	\$ 142,403
Prepaid insurance	2,514	-	2,514
Capital assets, net	-	553,285	553,285
Total Assets	<u>\$ 144,917</u>	<u>553,285</u>	<u>698,202</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,459	-	2,459
Installment purchase contracts	-	354,326	354,326
Total Liabilities	<u>2,459</u>	<u>354,326</u>	<u>356,785</u>
<b>FUND BALANCE/NET ASSETS</b>			
Fund balance			
Reserved - prepaid expenses	2,514	(2,514)	-
Unreserved:			
Undesignated	<u>139,944</u>	<u>(139,944)</u>	<u>-</u>
Total Fund Balance	<u>142,458</u>	<u>(142,458)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 144,917</u>		
Net Assets			
Invested in capital assets, net of related debt		198,959	198,959
Unrestricted		<u>142,458</u>	<u>142,458</u>
Total Net Assets		<u>\$ 341,417</u>	<u>\$ 341,417</u>

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

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES**  
**For the Year Ended March 31, 2007**

	General Fund Modified Accrual Basis	Adjustments	Statement of Activities
<b>REVENUES</b>			
Local contributions			
City of Beaverton	\$ 22,355	\$ -	\$ 22,355
Beaverton Township	46,431	-	46,431
Tobacco Township	103,180	-	103,180
Interest income	341	-	341
Sale of fixed assets	600	-	600
Miscellaneous income	1,412	-	1,412
Total revenues	<u>174,319</u>	<u>-</u>	<u>174,319</u>
<b>EXPENDITURES</b>			
Salaries and wages	29,314	-	29,314
Accounting	5,216	-	5,216
Contracted services	3,000	-	3,000
Gas and oil	1,997	-	1,997
Hepatitis B	1,037	-	1,037
Insurance	20,444	-	20,444
Meetings and training	2,500	-	2,500
Office supplies	711	-	711
Operating supplies	13,229	-	13,229
Operating lease	1	-	1
Rent	4,000	-	4,000
Repair and maintenance	9,043	-	9,043
Telephone	3,159	-	3,159
Utilities	5,159	-	5,159
Capital outlay	144,298	(144,298)	-
Depreciation	-	53,456	53,456
Debt service:			
Principal payments - Fire pumper	15,000	(15,000)	-
Interest payments - Fire pumper	11,257	-	11,257
Total expenditures	<u>269,365</u>	<u>(105,842)</u>	<u>163,523</u>
Excess of revenues over expenditures	(95,046)	105,842	10,796
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt obligations	134,300	(134,300)	
Net excess of revenues over expenditures	39,254	(28,458)	10,796
Fund balance/Net assets, beginning of year	<u>103,204</u>	<u>227,417</u>	<u>330,621</u>
Fund balance/Net assets, end of year	<u>\$ 142,458</u>	<u>\$ 198,959</u>	<u>\$ 341,417</u>

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

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District operates under a joint agreement created by the City of Beaverton, the Township of Beaverton and the Township of Tobacco in Gladwin County, Michigan. The agreement was created in 1971 to form a fire protection district comprising the entire area of these three governmental units. The District is governed by an Administrative Board with each unit of government appointing two members to the Board. Consequently, the District's ability to provide services is dependent upon the continued support of these three units of government.

**B. 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 non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

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.

**C. 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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets**

Bank Deposits and Investments

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

Receivables

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Equipment	3-5 years
Vehicles	25 years

Fund Balance

The District reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

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

**BEAVERTON AREA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences

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

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The District does not follow encumbrance accounting. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level.

During the year, the District incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Accounting	\$ 5,194	\$ 5,216
Telephone	3,098	3,159

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS**

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

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2007**

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS (continued)**

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

Cash and Cash Equivalents, as of March 31, 2007, consist of cash in bank checking, savings, and certificate of deposit accounts totaling \$142,403, of which \$100,000 is covered by federal deposit insurance.

**Investment and Deposit Risk**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At year end, the District had \$42,403 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

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

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

**NOTE 4. RELATED PARTY TRANSACTIONS**

The District entered into a lease agreement with Tobacco Township, Gladwin County for the use of a 2002 Ford Fire Truck. The lease agreement is for five years and requires the District to pay Tobacco Township \$1 per year plus annual insurance and maintenance costs.

**BEAVERTON AREA FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2007**

**NOTE 5. CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated: Equipment and Vehicles	\$ 780,548	\$ 144,298	\$ 6,000	\$ 918,846
Subtotal	<u>780,548</u>	<u>144,298</u>	<u>6,000</u>	<u>918,846</u>
Less Accumulated Depreciation for:				
Equipment and Vehicles	318,105	58,536	(11,080)	365,561
Subtotal	<u>318,105</u>	<u>58,536</u>	<u>(11,080)</u>	<u>365,561</u>
Governmental Activities Capital Assets – Net of Depreciation	<u>\$ 462,443</u>	<u>\$ 85,762</u>	<u>\$ (5,080)</u>	<u>\$ 553,285</u>

**NOTE 6. ECONOMIC DEPENDENCY**

Revenue appropriations from the City of Beaverton, the Township of Beaverton and the Township of Tobacco during the year ended March 31, 2007, represented approximately 99% of the District's total revenue. The revenue amounts of each governmental unit are determined on a proportional basis with City of Beaverton contributing 13%, the Township of Beaverton contributing 27% and the Township of Tobacco contributing 60% of the appropriated revenue.

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2007**

**NOTE 7. LONG TERM DEBT**

The individual fund long-term debt and other general long-term obligations of the District and the changes therein, are summarized as follows:

	April 1, 2006	Additions (Reductions)	March 31, 2007
Loan #97-01 – USDA (RD)	\$ 152,013	\$ (10,000)	\$ 142,013
Loan #97-03 – USDA (RD)	83,013	(5,000)	78,013
Lease – Kansas State Bank	-	134,300	134,300
<b>Total Long-Term Debt</b>	<b>\$ 235,026</b>	<b>\$ 119,300</b>	<b>\$ 354,326</b>

Year ended March 31,	Amounts
2008	\$ 30,270
2009	31,157
2010	32,092
2011	33,078
2012	34,118
Thereafter	193,611
	<b>\$ 354,326</b>

**NOTE 8. RISK MANAGEMENT**

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

**BEAVERTON AREA FIRE PROTECTION DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**For the Year Ended March 31, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>(Over) Under Budget</u>
<b>REVENUES</b>				
Local contributions:				
City of Beaverton	\$ 22,355	\$ 22,355	\$ 22,355	\$ -
Beaverton Township	46,431	46,431	46,431	-
Tobacco Township	103,180	103,180	103,180	-
Interest	-	-	341	(341)
Sale of fixed assets	-	-	600	(600)
Miscellaneous Income	-	-	1,412	(1,412)
Total revenues	<u>171,966</u>	<u>171,966</u>	<u>174,319</u>	<u>(2,353)</u>
<b>EXPENDITURES</b>				
Salaries and wages	38,300	38,300	29,314	8,986
Accounting	4,000	5,194	5,216	(22)
Contracted services	3,000	3,000	3,000	-
Gas and oil	3,000	3,000	1,997	1,003
Hepatitis B	600	1,037	1,037	-
Insurance	20,000	20,444	20,444	-
Meetings and training	6,000	6,000	2,500	3,500
Office supplies	800	800	711	89
Operating supplies	11,900	16,945	13,229	3,716
Operating lease	1	1	1	-
Rent	4,500	4,500	4,000	500
Repair and maintenance	10,000	10,000	9,043	957
Telephone	3,000	3,098	3,159	(61)
Utilities	7,000	7,000	5,159	1,841
Capital outlay	157,800	150,582	144,298	6,284
Debt service:				
Principal payments - Fire pumper	25,108	25,108	15,000	10,108
Interest payments - Fire pumper	11,257	11,257	11,257	-
Total expenditures	<u>306,266</u>	<u>306,266</u>	<u>269,365</u>	<u>36,901</u>
Excess of revenues over expenditures	(134,300)	(134,300)	(95,046)	(39,254)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt obligations	<u>134,300</u>	<u>134,300</u>	<u>134,300</u>	<u>-</u>
Total other financing sources and uses	<u>134,300</u>	<u>134,300</u>	<u>134,300</u>	<u>-</u>
Net change in fund balances	-	-	39,254	<u>\$ (39,254)</u>
Fund balance, beginning of year	<u>103,204</u>	<u>103,204</u>	<u>103,204</u>	
Fund balance, end of year	<u>\$ 103,204</u>	<u>\$ 103,204</u>	<u>\$ 142,458</u>	