

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 type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Sharon L. Vargo</i>	Printed Name		License Number	

Grand Traverse Metro Fire Department

**Financial Report
with Supplemental Information
December 31, 2007**

Grand Traverse Metro Fire Department

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Independent Auditor's Report

To the Board
Grand Traverse Metro
Fire Department

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand Traverse Metro Fire Department (the "Fire Department") as of and for the year ended December 31, 2007, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire Department'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 and each major fund of the Fire Department as of December 31, 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 schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

May 20, 2008

Plante & Moran, PLLC

Grand Traverse Metro Fire Department

Management's Discussion and Analysis

Our discussion and analysis of Grand Traverse Metro Fire Department's financial performance provides an overview of the Fire Department's financial activities for the fiscal year ended December 31, 2007. Please read it in conjunction with the Fire Department's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2007:

- Contributions from local governmental units increased by approximately \$204,000 this year. In addition, the General Fund transferred \$350,000 in the current year to the Public Improvement Fund, versus \$400,000 in the prior year.
- Total net assets related to the Fire Department's governmental activities increased by approximately \$475,000. The unrestricted portion of net assets decreased by approximately \$349,000.
- The Fire Department continued a long-term public improvement initiative by setting aside an additional \$350,000 in the Public Improvement Fund this year, in combination with previous transfers of \$1,207,000. In 2007, almost \$870,000 was expended through the Public Improvement Fund to pay for building remodeling costs for a new fire station.

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 Fire Department as a whole and present a long-term view of the Fire Department's finances. This long-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 Fire Department's operations in more detail than the government-wide financial statements by providing information about the Fire Department's most significant funds.

Grand Traverse Metro Fire Department

Management's Discussion and Analysis (Continued)

The Fire Department as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year.

	Governmental Activities	
	2007	2006
Assets		
Current assets	\$ 879,802	\$ 988,953
Noncurrent assets	4,614,774	3,424,837
Total assets	5,494,576	4,413,790
Liabilities		
Current liabilities	397,565	91,986
Long-term liabilities	300,506	-
Total liabilities	698,071	91,986
Net Assets		
Invested in capital assets - Net of related debt	4,220,194	3,396,085
Unrestricted	576,311	925,719
Total net assets	<u>\$ 4,796,505</u>	<u>\$ 4,321,804</u>

The Fire Department's combined net assets increased 11.0 percent from a year ago, increasing from \$4,321,804 to \$4,796,505.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$349,408. This represents a decrease of approximately 37.7 percent. The current level of unrestricted net assets stands at \$576,311, or about 33.4 percent of expenditures, not including capital outlays. This is within the targeted range set by the Fire Department's board during its last budget process.

Grand Traverse Metro Fire Department

Management's Discussion and Analysis (Continued)

The Fire Department as a Whole (Continued)

The following table shows, in a condensed format, the net assets during the current year and as compared to the prior year.

	Governmental Activities	
	2007	2006
Revenue		
Program revenue - Charges for services	\$ 359,685	\$ 181,608
Capital grants and contributions	-	172,583
General revenue:		
Contribution from local governments	2,084,010	1,880,131
Unrestricted investment earnings	78,859	54,304
Other revenue	3,000	68,015
Total revenue	2,525,554	2,356,641
Program Expenses		
Public safety:		
Personnel	1,156,296	921,049
Commodities	101,603	76,276
Contractual services	81,822	40,750
Depreciation expense	254,795	231,783
Other charges	449,437	399,416
Interest on long-term debt	6,900	4,629
Total program expenses	2,050,853	1,673,903
Change in Net Assets	\$ 474,701	\$ 682,738

Governmental Activities

The Fire Department's total governmental revenues increased by approximately \$169,000. The increase, which represents 7.2 percent, was primarily due to the continuing increases in all revenue areas, including contributions from local governments, building permits, interest income, and donated property.

Expenses increased by approximately \$377,000. The 22.5 percent increase was primarily due to the hiring of two firefighters, higher healthcare costs, increases in fuel costs, and higher vehicle repair costs due to the aging fleet.

Grand Traverse Metro Fire Department

Management's Discussion and Analysis (Continued)

The Fire Department's Funds

Our analysis of the Fire Department's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Fire Department as a whole. The Fire Department's board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as contributions from local governments based on their special tax millages. The Fire Department's major funds for 2007 include the General Fund and the Public Improvement Fund.

The General Fund pays for most of the Fire Department's governmental services. The most significant is fire personnel, which incurred expenses of approximately \$1,153,000 in 2007.

The Public Improvement Fund records funds designated by the board and transferred from the General Fund. The amount transferred from the General Fund is supported by a capital improvement plan, including specific capital outlays approved by the Fire Department's board. During the current year, this amounted to \$350,000.

General Fund Budgetary Highlights

Over the course of the year, the Fire Department made budget amendments to line items within cost centers. This resulted in changes to all cost centers during the year. A \$60,000 increase in personnel costs was primarily the result of expensing an additional three months of firefighter compensation in 2007, due to changing the payout period to a calendar year basis. A \$17,000 increase in supplies was the result of higher-than-planned supply and printing costs. A \$45,000 increase in contractual services was the result of an extensive study done to analyze the organizational structure of the Fire Department and higher-than-planned legal costs. An almost \$10,000 increase in other services and charges was the result of higher vehicle repair costs. A \$343,000 increase in capital outlay was the result of purchasing a new fire truck during 2007 in the amount of \$417,086. An additional cost center budget change was a decrease in contingency of \$10,000. The General Fund's fund balance increased from \$395,000 a year ago to \$538,000 at December 31, 2007.

Capital Asset and Debt Administration

At the end of 2007, the Fire Department had \$4,588,255 invested in a broad range of capital assets, including buildings, furnishings, fire equipment, and vehicles. During 2007, the Fire Department expended almost \$870,000 on a remodel construction project for a new fire station. The new fire station opened on February 1, 2008. Additional remodel expenditures are being incurred in 2008 in order to complete the project.

In July 2007, the Fire Department took delivery of a new American LeFrance fire truck. At that time, the Fire Department entered into an agreement with a bank to finance \$368,061 of the new truck's purchase.

Grand Traverse Metro Fire Department

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets

The 2008 calendar year brings with it new challenges for the Fire Department.

The Fire Department continues to embark on an ambitious strategic plan. The plan calls for three new stations to be built in the next 10 years. Fire apparatus will need to be purchased and housed in these stations. Some full-time staffing will be required in the near future at all of our stations. This is needed to supplement the volunteer staff. The Fire Department's budget for next year calls for an increase in contributions from local governments. The Fire Department's partner townships are looking for alternatives, including an increase in millages, to help pay for this expansion.

The Fire Department has presented to each of the townships plans for reorganizing under Michigan Public Act 57 to become a Fire Authority. The townships are currently in the process of discussing the specifics of the reorganization and the impact this reorganization would have on their respective governments as well as the local community. A final draft is being completed and it is the Fire Department's hope that the reorganization will be completed by the end of 2008.

Contacting the Fire Department's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Fire Department office.

Grand Traverse Metro Fire Department

Statement of Net Assets December 31, 2007

Assets

Cash and investments	\$	709,050
Receivables - Net (Note 4)		66,476
Prepaid costs		104,276
Investment in joint venture (Note 11)		26,519
Capital assets - Net (Note 5):		
Depreciable assets		2,518,784
Nondepreciable assets		<u>2,069,471</u>
Total assets		5,494,576

Liabilities

Accounts payable		95,662
Accrued and other liabilities		194,297
Compensated absences - Due within one year		40,051
Noncurrent liabilities (Note 7):		
Due within one year		67,555
Due in more than one year		<u>300,506</u>
Total liabilities		<u>698,071</u>

Net Assets

Invested in capital assets - Net of related debt		4,220,194
Unrestricted		<u>576,311</u>
Total net assets	\$	<u><u>4,796,505</u></u>

Grand Traverse Metro Fire Department

Statement of Activities Year Ended December 31, 2007

	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Governmental Activities	
Functions/Programs			
Primary government -			
Governmental activities:			
Public safety:			
Personnel	\$ 1,156,296	\$ 338,685	\$ (817,611)
Commodities	101,603	-	(101,603)
Contractual services	81,822	-	(81,822)
Depreciation expense	254,795	-	(254,795)
Other	449,437	21,000	(428,437)
Interest on long-term debt	6,900	-	(6,900)
	<u>\$ 2,050,853</u>	<u>\$ 359,685</u>	<u>(1,691,168)</u>
	General revenues:		
	Contribution from local governmental units		2,084,010
	Unrestricted		78,859
	Miscellaneous		3,000
	Total general revenues		2,165,869
	Change in Net Assets		474,701
	Net Assets - Beginning of year		4,321,804
	Net Assets - End of year		\$ 4,796,505

Grand Traverse Metro Fire Department

Governmental Funds Balance Sheet December 31, 2007

	General Fund	Public Improvement Fund	Total Governmental Funds
Assets			
Cash and investments	\$ 505,804	\$ 203,246	\$ 709,050
Receivables - Net	66,476	-	66,476
Prepaid costs	104,276	-	104,276
Due from other funds (Note 6)	131,216	-	131,216
Total assets	<u>\$ 807,772</u>	<u>\$ 203,246</u>	<u>\$ 1,011,018</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 75,638	\$ 20,024	\$ 95,662
Accrued and other liabilities	194,297	-	194,297
Due to other funds (Note 6)	-	131,216	131,216
Total liabilities	269,935	151,240	421,175
Fund Balances			
Reserved for prepaid costs	104,276	-	104,276
Unreserved, reported in:			
General Fund	433,561	-	433,561
Special Revenue Fund	-	52,006	52,006
Total fund balances	<u>537,837</u>	<u>52,006</u>	589,843
Total liabilities and fund balances	<u>\$ 807,772</u>	<u>\$ 203,246</u>	

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

Investment in joint venture used in governmental activities is not a financial resource and is not reported in the funds	26,519
Capital assets used in governmental activities are not financial resources and are reported in the funds	4,588,255
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(408,112)</u>
Net assets of governmental activities	<u>\$ 4,796,505</u>

Grand Traverse Metro Fire Department

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2007

	General Fund	Public Improvement Fund	Total Governmental Funds
Revenue			
Contribution from local governmental units	\$ 2,084,010	\$ -	\$ 2,084,010
Licenses and permits	99,735	-	99,735
Interest and rentals	46,257	32,602	78,859
Other	259,950	-	259,950
Total revenue	2,489,952	32,602	2,522,554
Expenditures			
Current:			
Personnel	1,152,820	-	1,152,820
Commodities	101,603	-	101,603
Contractual services	81,822	-	81,822
Other charges	384,679	-	384,679
Capital outlay/repairs	640,336	869,155	1,509,491
Debt service	6,900	-	6,900
Total expenditures	2,368,160	869,155	3,237,315
Excess of Revenue Over (Under)			
Expenditures	121,792	(836,553)	(714,761)
Other Financing Sources (Uses)			
Transfers in (Note 6)	-	350,000	350,000
Transfers out (Note 6)	(350,000)	-	(350,000)
Sales of capital assets	3,000	-	3,000
Issuance of debt	368,061	-	368,061
Total other financing sources	21,061	350,000	371,061
Net Change in Fund Balances	142,853	(486,553)	(343,700)
Fund Balances - Beginning of year	394,984	538,559	933,543
Fund Balances - End of year	<u>\$ 537,837</u>	<u>\$ 52,006</u>	<u>\$ 589,843</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Grand Traverse Metro Fire Department

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ (343,700)

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Current year capital additions	1,446,965
Current year allocation of depreciation expense	(254,795)

Debt proceeds are not reported as financing sources on the statement of activities (368,061)

Investment in joint venture gain reported in the statement of activities does not provide current financial resources and is not reported as revenue in the governmental funds (2,232)

Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities (3,476)

Change in Net Assets of Governmental Activities \$ 474,701

Grand Traverse Metro Fire Department

**Notes to Financial Statements
December 31, 2007**

Note I - Summary of Significant Accounting Policies

The accounting policies of Grand Traverse Metro Fire Department (the "Fire Department") 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 Fire Department.

Reporting Entity

The Fire Department is a joint venture between Acme, East Bay, and Garfield Townships. The Fire Department's operating expenses are subsidized annually by millages levied in each township.

The Fire Department is governed by an appointed three-member board consisting of the supervisors of the sponsoring townships. The fire fighting budget and expenditures are approved by the board. The accompanying financial statements represent the activities of the Fire Department.

In the event that a member township withdraws or is expelled from Grand Traverse Metro Fire Department, that township shall have no right to recover any monies previously paid into Grand Traverse Metro Fire Department nor will it be entitled to any equipment nor any real property which was obtained for the administration of Grand Traverse Metro Fire Department.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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. Township subsidies and other items not properly included among program revenues are reported instead as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Grand Traverse Metro Fire Department

**Notes to Financial Statements
December 31, 2007**

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: contributions from local governmental units, plan reviews, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

The Fire Department reports the following major governmental funds:

General Fund - The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Improvement Fund - The Public Improvement Fund is where the Fire Department has appropriated funds for future capital outlay to improve and expand the Fire Department.

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

Amounts reported as program revenue include charges for plan reviews and inspections of related buildings. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all contributions from local governmental units.

Grand Traverse Metro Fire Department

Notes to Financial Statements
December 31, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include 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 trade and intergovernmental receivables are shown as net of allowance for uncollectible amounts.

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

Capital Assets - Capital assets, which include buildings, furnishings, fire equipment, and vehicles, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Fire Department as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings and building improvements	7 to 50 years
Vehicles	5 to 15 years
Office furnishings	5 to 12 years
Other tools and equipment	5 to 10 years

Compensated Absences (Vacation and Personal Days) - It is the Fire Department's policy to permit employees to accumulate earned but unused vacation pay and personal days benefits. Both vacation pay and personal days are accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. During 2007, the net change was \$3,476.

Grand Traverse Metro Fire Department

Notes to Financial Statements
December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Fire Department oversees building construction and fire code compliance in East Bay and Acme Townships and fire code compliance in Garfield Township in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Fire Department charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2006 is as follows:

Accumulated balance at January 1, 2007	\$ -
Current year building permit revenue	99,735
Related expenses - Direct costs	<u>(99,735)</u>
Accumulated balance at December 31, 2007	<u><u>\$ -</u></u>

Grand Traverse Metro Fire Department

**Notes to Financial Statements
December 31, 2007**

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Deposit/Investment Policy - The written deposit/investment policy, adopted by the board in 1998, is not in compliance with the state law under Public Act 196 of 1997. In addition, GASB No. 40, *Deposits and Investment Risk Disclosures*, recommends that the deposit/investment policy address any deposit and investment-related risk to which the governmental unit is subject. If the policy does not cover that risk, GASB No. 40 requires that this fact be disclosed. Because the Fire Department has uninsured deposits, a policy should be created to address the acceptable limits of uninsured funds. Current deposits held by the Fire Department are not considered illegal under the state law at December 31, 2007.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures 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 that are legal for direct investment by local units of government in Michigan.

The Fire Department has designated four banks for the deposit of its funds. The Fire Department's deposits and investments are in accordance with statutory authority.

The Fire Department's cash is subject to custodial credit risk of bank deposits, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned to it. The Fire Department does not have a deposit policy for custodial credit risk. At year end, the Fire Department had \$408,945 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Fire Department believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Fire Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Grand Traverse Metro Fire Department

Notes to Financial Statements December 31, 2007

Note 4 - Receivables

Receivables as of year end for the Fire Department's General Fund are as follows:

Receivables:		
Accounts	\$	7,443
Intergovernmental		<u>59,033</u>
Net receivables	\$	<u><u>66,476</u></u>

Note 5 - Capital Assets

Capital asset activity of the Fire Department's governmental activities was as follows:

Governmental Activities	Balance	Additions	Disposals and Adjustments	Balance
	January 1, 2007			December 31, 2007
Capital assets not being depreciated:				
Land	\$ 416,131	\$ -	\$ -	\$ 416,131
Construction in progress	<u>784,186</u>	<u>869,154</u>	<u>-</u>	<u>1,653,340</u>
Subtotal	1,200,317	869,154	-	2,069,471
Capital assets being depreciated:				
Buildings and improvements	820,230	15,602	-	835,832
Vehicles	2,924,398	534,178	23,930	3,434,646
Office furnishings	45,125	13,411	-	58,536
Other tools and equipment	<u>536,960</u>	<u>14,620</u>	<u>-</u>	<u>551,580</u>
Subtotal	4,326,713	577,811	23,930	4,880,594
Accumulated depreciation:				
Buildings and improvements	184,257	22,960	-	207,217
Vehicles	1,703,523	172,564	23,930	1,852,157
Office furnishings	35,166	5,325	-	40,491
Other tools and equipment	<u>207,999</u>	<u>53,946</u>	<u>-</u>	<u>261,945</u>
Subtotal	<u>2,130,945</u>	<u>254,795</u>	<u>23,930</u>	<u>2,361,810</u>
Net capital assets being depreciated	<u>2,195,768</u>	<u>323,016</u>	<u>-</u>	<u>2,518,784</u>
Net capital assets	<u>\$ 3,396,085</u>	<u>\$ 1,192,170</u>	<u>\$ -</u>	<u>\$ 4,588,255</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities - Public safety	<u><u>\$ 254,795</u></u>
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Grand Traverse Metro Fire Department

Notes to Financial Statements December 31, 2007

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Public Improvement Fund	\$ <u>131,216</u>

These balances result from the time lag between the dates that reimbursable expenditures occur.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Public Improvement Fund	\$ <u>350,000</u>

The transfers from the General Fund to the Public Improvement Fund represents the movement of resources to be used to finance current and future public improvements.

Note 7 - Long-term Debt

Installment purchase agreements are direct obligations and pledge the full faith and credit of the Fire Department.

The Fire Department has the following long-term debt outstanding as of December 31, 2007:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities							
Installment purchase agreements -		\$67,000 -					
Pumper fire truck:	4.25%	\$80,000					
Amount of issue: \$368,061			\$ -	\$ 368,061	\$ -	\$ 368,061	\$ 67,555
Maturing through August 1, 2012							
Compensated absences			36,575	3,476	-	40,051	40,051

Grand Traverse Metro Fire Department

Notes to Financial Statements December 31, 2007

Note 7 - Long-term Debt (Continued)

Debt service requirements at December 31, 2007 were as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 67,555	\$ 14,932
2009	70,456	12,031
2010	73,482	9,005
2011	76,639	5,848
2012	<u>79,929</u>	<u>2,557</u>
Total	<u>\$ 368,061</u>	<u>\$ 44,373</u>

Total interest expense for the year was \$6,900.

Note 8 - Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Fire Department has purchased commercial insurance for employee injuries and medical benefits, and participates in the Michigan Township Participating Plan for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Township Participating Plan program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the plan that the plan uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Fire Department.

Note 9 - Defined Contribution Pension Plans

The Fire Department provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Fire Department, the Fire Department contributed 16.2 percent. Employee contributions for each employee plus interest allocated to the employee's account are fully vested upon early retirement, termination of service, death, disability, or normal retirement.

Grand Traverse Metro Fire Department

**Notes to Financial Statements
December 31, 2007**

Note 9 - Defined Contribution Pension Plans (Continued)

The Fire Department's total payroll during the current year was \$955,223. The current year contribution was calculated based on covered payroll of \$659,608 resulting in an employer contribution of \$106,868 and required employee contributions of \$40,958.

The Fire Department also offers a deferred compensation plan to all employees created in accordance with Internal Revenue Code Section 457. The plan is administrated by American United Life Insurance Company. The plan allows employees to defer a portion of their salary until the employees' death, termination, retirement, or disability. During the year ended December 31, 2007, employees contributed \$20,674.

Note 10 - Other Postemployment Benefits

The Fire Department has elected to provide postemployment health benefits to certain retirees and their beneficiaries. The Fire Department pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the Fire Department's group rates. As of December 31, 2007, one retiree is eligible for postemployment health benefits. For the year ended December 31, 2007, the Fire Department paid \$2,616 in postemployment retirement benefits. The Fire Department obtains healthcare coverage through private insurers.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

Note 11 - Joint Venture

The Fire Department entered into an agreement creating the Grand Traverse County Fire Administrative Board, effective January 1, 1981. This continues on a year-to-year basis by mutual agreement with Grand Traverse County and Grand Traverse Rural Fire Department. The Fire Department's equity interest is 35.4 percent at December 31, 2007. This equity interest is adjusted annually and the 2007 equity interest balance is \$26,519.

Grand Traverse Metro Fire Department

**Notes to Financial Statements
December 31, 2007**

Note 11 - Joint Venture (Continued)

The Fire Department also provides payroll processing services for the joint venture. At December 31, 2007, \$31,184 was due from the joint venture.

In February 2008, the Grand Traverse County Fire Administrative Board was dissolved and the assets distributed to Grand Traverse County, Grand Traverse Metro Fire Department, and Grand Traverse Fire Department - Rural Division, the three founding organizations.

Note 12 - Subsequent Event

On April 16, 2008, the Fire Department sold a ladder truck for \$640,000.

Required Supplemental Information

Grand Traverse Metro Fire Department

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Contribution from local governmental units	\$ 2,084,010	\$ 2,084,010	\$ 2,084,010	\$ -
Licenses and permits	60,000	82,000	99,735	17,735
Interest and rentals	31,000	44,000	46,257	2,257
Proceeds from debt	-	368,061	368,061	-
Other and sales of capital assets	213,000	268,500	262,950	(5,550)
Total revenue (inflows)	2,388,010	2,846,571	2,861,013	14,442
Expenditures				
Public safety:				
Personnel	1,149,810	1,209,810	1,152,820	(56,990)
Commodities	87,500	104,500	101,603	(2,897)
Contractual services	47,500	92,500	81,822	(10,678)
Other charges	423,500	421,000	384,679	(36,321)
Emergency contribution fund	10,200	200	-	
Capital outlay/repairs	319,500	662,561	640,336	(22,225)
Debt service	-	-	6,900	6,900
Transfers to other funds	350,000	350,000	350,000	-
Total charges to appropriations (outflows)	2,388,010	2,840,571	2,718,160	(122,211)
Net Change in Fund Balance	-	6,000	142,853	136,853
Fund Balance - Beginning of year	394,984	394,984	394,984	-
Fund Balance - End of year	\$ 394,984	\$ 400,984	\$ 537,837	\$ 136,853

Grand Traverse Metro Fire Department

Required Supplemental Information Budgetary Comparison Schedule Major Public Improvement Fund Year Ended December 31, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 5,000	\$ 30,000	\$ 32,602	\$ 2,602
Transfer from other funds	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Total revenue (inflows)	355,000	380,000	382,602	2,602
Expenditures				
Contingency	5,000	-	-	-
Capital outlay/repairs	<u>350,000</u>	<u>892,180</u>	<u>869,155</u>	<u>(23,025)</u>
Total charges to appropriations (outflows)	<u>355,000</u>	<u>892,180</u>	<u>869,155</u>	<u>(23,025)</u>
Net Change in Fund Balance	-	(512,180)	(486,553)	25,627
Fund Balance - Beginning of year	<u>538,559</u>	<u>538,559</u>	<u>538,559</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 538,559</u></u>	<u><u>\$ 26,379</u></u>	<u><u>\$ 52,006</u></u>	<u><u>\$ 25,627</u></u>

Grand Traverse Metro Fire Department

Note to Required Supplemental Information Year Ended December 31, 2007

Note - Budgetary Information

Budgetary Information - The annual budget is prepared by management and adopted by the Fire Department board; subsequent amendments are approved by the Fire Department board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and the Public Improvement Fund, except for the practice of budgeting transfers and debt issuance as revenues and expenditures versus other financing sources/uses. Budgets were adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Fire Department board is included in the required supplemental information.