

TOWNSHIPS OF PITTSFORD AND
JEFFERSON FIRE DEPARTMENT

AUDIT REPORT

MARCH 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1988, 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 Townships of Pittsford + Jefferson Fire Department		County HILLSDALE	
Fiscal Year End 03/31/07		Opinion Date 09/26/07		Date Audit Report Submitted to State 09/30/07			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, P.C.		Telephone Number 517-849-2410		
Street Address 479 E. CHICAGO		City JONESVILLE	State MI	Zip 49250
Authorizing CPA Signature <i>Kelly S Hodshire</i>		Printed Name KELLY S. HODSHIRE		License Number 1101020992

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Bailey, Hodshire
& Company, P.C.
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INDEPENDENT AUDITOR'S REPORT

Townships of Pittsford and Jefferson Fire Department
Pittsford, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Townships of Pittsford and Jefferson Fire Department as of and for the year ended March 31, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships of Pittsford and Jefferson 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 Townships of Pittsford and Jefferson Fire Department, as of March 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 information on pages 2 - 4 and page 16, 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
September 26, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report presents management's discussion and analysis of the Townships of Pittsford and Jefferson Fire Department's (Department) financial performance during the year ended March 31, 2007. Please read it in conjunction with the Department's financial statements, which immediately follow this section.

Financial Highlights

The Following represents the most significant financial highlights for the year ended March 31, 2007:

- The assets of the Department exceeded its liabilities at March 31, 2007 by \$389,731 (net assets). Of this amount, \$140,434 (unrestricted net assets) may be used to meet the Department's ongoing obligations.
- The Department's total net assets increased \$372.
- As of March 31, 2007, the Department's governmental fund reported an ending fund balance of \$140,434, an increase of \$25,736. The entire amount is available for spending at the Department's discretion (unreserved fund balance).

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 Department as a whole and present a longer-term view of the Department's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Fire Department's operations in more detail than the government-wide financial statements.

The Fire Department as a Whole

Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the Department's governmental activities.

<u>TABLE 1 - NET ASSETS</u>	<u>2006</u>	<u>2007</u>
Assets		
Current Assets	\$ 114,698	\$ 143,316
Capital Assets (net of depreciation)	<u>274,661</u>	<u>249,297</u>
Total Assets	<u>\$ 389,359</u>	<u>\$ 392,613</u>
Liabilities		
Current Liabilities	\$ 0	\$ 2,882
Noncurrent Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 2,882</u>
Net Assets		
Invested in Capital Assets - Net of Related Debt	\$ 274,661	\$ 249,297
Unrestricted	<u>114,698</u>	<u>140,434</u>
Total Net Assets	<u>\$ 389,359</u>	<u>\$ 389,731</u>
Total Liabilities and Net Assets	<u>\$ 389,359</u>	<u>\$ 392,613</u>

**TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

<u>TABLE 2 - CHANGES IN NET ASSETS</u>	<u>2006</u>	<u>2007</u>
Program Revenue		
Charges for Services	\$ 40,950	\$ 27,350
Capital Grants and Contributions	52,535	0
General Revenue		
Government Contributions	85,500	71,500
Interest Income	7,172	4,063
Other	<u>2,952</u>	<u>1,491</u>
Total Revenue	<u>\$ 189,109</u>	<u>\$ 104,404</u>
Expenses		
Public Safety	<u>\$ 111,879</u>	<u>\$ 104,032</u>
Total Expenses	<u>\$ 111,879</u>	<u>\$ 104,032</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ 77,230</u>	<u>\$ 372</u>

Governmental Activities

The Department's governmental activities consist of providing fire protection service to Jefferson Township, Pittsford Township, and parts of Adams Township.

The Fire Department's Funds

Our analysis of the Department's major funds begins on page 7 following the government-wide financial statements. The fund financial statements provide detailed information about the General Fund, the only fund maintained by the Department at this time. The most significant expenditure items for the General Fund are wages, insurance, operating supplies, and maintenance.

General Fund Budgetary Highlights

Over the course of the year, the Department amended the budget to take into account events during the year.

General Asset and Debt Administration

The Department does not have title to any real property. The Township of Jefferson and the Township of Pittsford have title jointly to the land and building. The Department has title to the vehicles and equipment used in the Department's operations.

Factors Bearing on the Fire Department's Future

The condition of the State of Michigan's economy and its effect on revenue sharing to local governments will have a significant impact on the level of funding for the Department's annual operations and long term capital asset needs. The 2007-2008 budget was based primarily on the 2006-2007 fiscal year results. The Department will budget in the future for a site evaluation regarding the possible construction of a new building. The Department continues to accumulate funds for the purchase of a new fire truck in the future.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Contacting the Fire Department's Management

This report is designed to give an overview of the financial conditions of the Townships of Pittsford and Jefferson Fire Department. If you have questions about this report or need further information, please contact the Jefferson Township Clerk or Treasurer at (517) 523-3165.

BASIC FINANCIAL STATEMENTS

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
 STATEMENT OF NET ASSETS
 MARCH 31, 2007

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 109,388
Accounts Receivable	26,074
Prepaid Expense	7,854
Capital Assets - Net	<u>249,297</u>
Total Assets	<u>\$ 392,613</u>
LIABILITIES	
Accounts Payable	\$ <u>2,882</u>
Total Liabilities	\$ <u>2,882</u>
NET ASSETS	
Invested in Capital Assets	
Net of Related Debt	\$ 249,297
Unrestricted	<u>140,434</u>
Total Net Assets	\$ <u>389,731</u>
Total Liabilities and Net Assets	<u>\$ 392,613</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Public Safety	\$ 104,032	\$ 27,350	\$ 0	\$ (76,682)
Total Governmental Activities	\$ 104,032	\$ 27,350	\$ 0	\$ (76,682)
General Revenues:				
Government Contributions				\$ 71,500
Interest Income				4,063
Miscellaneous				1,491
Total General Revenues				\$ 77,054
Change in Net Assets				\$ 372
Net Assets - Beginning				389,359
Net Assets - Ending				\$ 389,731

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 MARCH 31, 2007

	General Fund	Total Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 109,388	\$ 109,388
Accounts Receivable	26,074	26,074
Prepaid Expense	<u>7,854</u>	<u>7,854</u>
Total Assets	<u>\$ 143,316</u>	<u>\$ 143,316</u>
 LIABILITIES		
Accounts Payable	\$ <u>2,882</u>	\$ <u>2,882</u>
Total Liabilities	<u>\$ 2,882</u>	<u>\$ 2,882</u>
 FUND BALANCE		
Unreserved	<u>\$ 140,434</u>	<u>\$ 140,434</u>
Total Fund Balance	<u>\$ 140,434</u>	<u>\$ 140,434</u>
Total Liabilities and Fund Balance	<u>\$ 143,316</u>	<u>\$ 143,316</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets

Fund balance - total governmental funds	\$ 140,434
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Add: Capital Assets	526,774
Deduct: Accumulated Depreciation	<u>(277,477)</u>
Net assets of governmental activities	<u>\$ 389,731</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2007

	General Fund	Total Governmental Funds
REVENUE		
Government Contributions	\$ 71,500	\$ 71,500
Charges for Services - Fire runs	27,350	27,350
Interest Income	4,063	4,063
Other Income	<u>1,491</u>	<u>1,491</u>
Total Revenue	<u>\$ 104,404</u>	<u>\$ 104,404</u>
EXPENDITURES		
Salaries and Wages	\$ 20,248	\$ 20,248
Payroll Taxes	1,549	1,549
Office Supplies	4,212	4,212
Operating Supplies	14,418	14,418
Professional Fees	1,200	1,200
Utilities	6,370	6,370
Training and Education	2,043	2,043
Insurance	9,494	9,494
Building Maintenance	2,457	2,457
Equipment Maintenance	14,826	14,826
Miscellaneous Expense	1,851	1,851
Capital Outlay	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 78,668</u>	<u>\$ 78,668</u>
Excess of Revenue Over (Under) Expenditures	\$ 25,736	\$ 25,736
FUND BALANCE - April 1, 2006	<u>114,698</u>	<u>114,698</u>
FUND BALANCE - March 31, 2007	<u>\$ 140,434</u>	<u>\$ 140,434</u>

The accompanying notes are an integral part of this statement.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
Reconciliation of the Statement of Revenue, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds \$ 25,736

Amounts reported for governmental activities in the statement of net assets 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

Deduct: Depreciation Expense (25,364)

Add: Capital Outlay Expenditure 0

Change in net assets of governmental activities \$ 372

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Townships of Pittsford and Jefferson Fire Department (the "Department") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of the significant accounting policies used by the Department:

Financial Reporting Entity

The Townships of Pittsford and Jefferson Fire Department is a joint venture between Jefferson Township and Pittsford Township in Hillsdale County, Michigan. It is governed by a five-member board comprised of two members from each township and one member chosen by the board.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Department as a whole. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Department's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Department, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Department.

Fund Financial Statements - Fund financial statements report detailed information about the Department. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if any, are aggregated and presented in a single column. The Department records all activities within the General Fund - - no other funds are required.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the 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 to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose,

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the Department considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. Under the modified accrual basis, government contributions and grants are considered to be both measurable and available at fiscal year-end.

Financial Statement Presentation

The Department uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Department functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Department reports the following major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

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.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Department has established a capitalization threshold of \$5,000. The Department does not possess any infrastructure. As of March 31, 2007, the land and buildings are titled jointly to Jefferson Township and Pittsford Township. The Department has title to the vehicles and equipment used in the Department's operations.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Fire Equipment	5-20 years
Building	50 years
Fire Vehicles	10-20 years

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Fire Board at the line-item level. Any budgetary modifications may only be made by resolution of the Fire Board. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year end.

The Department follows these procedures in establishing the budget as reflected in the financial statements:

- 1) Prior to March 31, the Department submits a proposed operating budget for the upcoming fiscal year to Jefferson Township and Pittsford Township boards for approval.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) The Fire Board is authorized to transfer budgeted amounts between line items; however, the Jefferson Township board and the Pittsford Township board must approve any revisions that change the total expenditures of the Department.
- 5) During the year the budget is monitored, and amendments to the budget are made when deemed necessary.

During the year, the following accounts had expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Office Supplies	\$ 2,122	\$ 4,212	\$ 2,090

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes authorize the Department to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Department's investment policy makes no further limitation on investments. As of March 31, 2007, the Department's deposits are in accordance with statutory authority.

The Department's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 MARCH 31, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Department minimizes credit risk by limiting investments to the types of securities allowed by State Law. The Department has no policy that would further limit its investment choices.

Concentration of Credit Risk - The Department places no limit on the amount the Department may invest in any one issuer.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Department does not have a formal policy for custodial risk. At March 31, 2007, the carrying amount of the Department's bank deposits was \$109,388 and the bank's balance was \$114,162. Of the total bank balance, \$100,000 was covered by federal depository insurance and \$14,162 was uninsured. The 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 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.

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. The Department has no policy that specifically identifies interest rate risk.

Foreign Currency Risk - The Department is not authorized to invest in investments which have this type of risk.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 500	\$ 0	\$ 0	\$ 500
Capital assets being depreciated				
Buildings	\$ 13,950	\$ 0	\$ 0	\$ 13,950
Equipment	235,244	0	0	235,244
Vehicles	<u>277,080</u>	<u>0</u>	<u>0</u>	<u>277,080</u>
Subtotal	<u>\$ 526,274</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$526,274</u>
Less: accumulated depreciation for				
Buildings	\$ (11,589)	\$ (199)	\$ 0	\$ (11,788)
Equipment	(59,239)	(16,206)	0	(75,445)
Vehicles	<u>(181,285)</u>	<u>(8,959)</u>	<u>0</u>	<u>(190,244)</u>
Subtotal	<u>\$(252,113)</u>	<u>\$ (25,364)</u>	<u>\$ 0</u>	<u>\$(277,477)</u>
Total capital assets being depreciated, net	<u>\$ 274,161</u>	<u>\$ (25,364)</u>	<u>\$ 0</u>	<u>\$ 248,797</u>
Total capital assets, net	<u>\$ 274,661</u>	<u>\$ (25,364)</u>	<u>\$ 0</u>	<u>\$ 249,297</u>

Total depreciation expense for the year was \$25,364.

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 5 - UNEMPLOYMENT TAXES

The Department is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfiled.

NOTE 6 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Department has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, physical damage, workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIPS OF PITTSFORD AND JEFFERSON FIRE DEPARTMENT
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Budget amounts</u>		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
Government Contributions	\$ 74,500	\$ 74,500	\$ 71,500	\$ (3,000)
Charges for Services - Fire Runs	12,500	12,500	27,350	14,850
Interest Income	0	0	4,063	4,063
Grant Income	200,000	200,000	0	(200,000)
Other Income	<u>19,780</u>	<u>19,780</u>	<u>1,491</u>	<u>(18,289)</u>
Total Revenue	<u>\$ 306,780</u>	<u>\$ 306,780</u>	<u>\$ 104,404</u>	<u>\$ (202,376)</u>
EXPENDITURES				
Salaries and Wages	\$ 30,000	\$ 23,162	\$ 20,248	\$ (2,914)
Payroll Taxes	2,300	2,300	1,549	(751)
Office Supplies	1,000	2,122	4,212	2,090
Operating Supplies	18,080	18,990	14,418	(4,572)
Professional Fees	1,000	1,200	1,200	0
Utilities	7,300	8,075	6,370	(1,705)
Training and Education	6,000	6,000	2,043	(3,957)
Insurance	20,000	19,800	9,494	(10,306)
Building Maintenance	5,000	3,316	2,457	(859)
Equipment Maintenance	11,000	14,833	14,826	(7)
Miscellaneous Expense	100	1,982	1,851	(131)
Capital Outlay	200,000	200,000	0	(200,000)
Contingency	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>
Total Expenditures	<u>\$ 306,780</u>	<u>\$ 306,780</u>	<u>\$ 78,668</u>	<u>\$(228,112)</u>
Excess of Revenue Over (Under) Expenditures	\$ 0	\$ 0	\$ 25,736	\$ 25,736
FUND BALANCE - April 1, 2006	<u>114,698</u>	<u>114,698</u>	<u>114,698</u>	<u>0</u>
FUND BALANCE - March 31, 2007	<u>\$ 114,698</u>	<u>\$ 114,698</u>	<u>\$ 140,434</u>	<u>\$ 25,736</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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September 26, 2007

Townships of Pittsford and Jefferson Fire Department
Osseo, Michigan

In planning and performing our audit of the financial statements of Townships of Pittsford and Jefferson Fire Department of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

Financial Statement Preparation

The Department does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenue and expenditures, to track changes in capital assets, and to present required financial statement disclosures. We recognize the time and expense that would be required to obtain the necessary training and expertise to perform this task internally. We recommend that you continue to carefully review the draft financial statements and notes prepared by your external auditors prior to approving them and accepting responsibility for their content and presentation.

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

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

In addition, we noted other matters involving the internal control and its operation that we did not consider to be significant deficiencies or material weaknesses.

Annual Budget

During the year, the Department had accounts with expenditures in excess of budgeted amounts, which is a violation of State of Michigan budgeting laws. The over-expenditure is considered immaterial and is a result of year-end journal entries but we recommend that the budget be monitored carefully and amended when necessary to avoid any over-expenditure.

Capital Outlay

The Department has established a capitalization policy of \$5,000. Only those expenditures for fixed assets above this threshold should be coded to the capital outlay expenditure account.

This communication is intended solely for the information and use of the Department Board and others within the Department, and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodshie + Company PC

Jonesville, Michigan

September 26, 2007