Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Sparta Fire Department	Kent

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
March 31, 2007	7/24/07	August 22, 2007

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	Not considered necessary
Other (Describe)	☐	None

Certified Public Accountant (Firm Name)	Telephone Number		
Siegfried Crandall, PC	269-381-4970		
Street Address	**City**	**State**	**Zip**
246 East Kilgore Road	Kalamazoo	Mi	49002

Authorizing CPA Signature	Printed Name	License Number
	Daniel L. Veldhuizen	1101020724

Sparta Fire Department
Kent County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year ended March 31, 2007

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Siegfried Crandall PC
Certified Public Accountants & Advisors

246 E. Kilgore Road
Kalamazoo, MI 49002-5599
www.siegfriedcrandall.com

Telephone 269-381-4970
800-876-0979
Fax 269-349-1344

INDEPENDENT AUDITORS' REPORT

Members of the Board
Sparta Fire Department

We have audited the accompanying financial statements of the governmental activities and the major fund of Sparta 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 contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 the major fund of Sparta Fire Department as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Sparta Fire Department has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

July 24, 2007

BASIC FINANCIAL STATEMENTS

Sparta Fire Department
STATEMENT OF NET ASSETS
March 31, 2007

	Governmental activities
ASSETS	
Current assets:	
Cash	$ 213,576
Receivables	3,704
Prepaid expenses	6,120
Total current assets	223,400
Noncurrent assets:	
Capital assets, net of accumulated depreciation	801,274
Total assets	1,024,674
LIABILITIES	
Current liabilities:	
Payables	13,388
Notes payable	8,853
Total current liabilities	22,241
Noncurrent liabilities - notes payable	10,732
Total liabilities	32,973
NET ASSETS	
Invested in capital assets, net of related debt	781,689
Restricted for capital acquisitions	61,536
Unrestricted	148,476
Total net assets	$ 991,701

See notes to financial statements

Sparta Fire Department
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

		Program revenues	Net (expenses) revenues and changes in net assets
	Expenses	*Operating grants and contributions*	*Governmental activities*
Functions/Programs			
Governmental activities:			
Public safety	$ 356,776	$ 341,336	$ (15,440)
Interest on long-term debt	957	-	(957)
Total governmental activities	$ 357,733	$ 341,336	(16,397)
General revenues:			
Interest income			6,236
Other			2,789
Total general revenues			9,025
Change in net assets			(7,372)
Net assets - beginning			999,073
Net assets - ending			$ 991,701

See notes to financial statements

Sparta Fire Department
BALANCE SHEET
March 31, 2007

ASSETS	
Cash	$ 213,576
Receivables	3,704
Total assets	$ 217,280
LIABILITIES AND FUND BALANCE	
Liabilities - payables	$ 13,388
Fund balance:	
Reserved	61,536
Unreserved:	
Designated	77,937
Undesignated	64,419
Total fund balance	203,892
Total liabilities and fund balance	$ 217,280
Total fund balance	$ 203,892
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, therefore, are not reported in the fund.	801,274
Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.	6,120
Noncurrent liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the fund.	(19,585)
Net assets of *governmental activities* (page 5)	$ 991,701

See notes to financial statements

Sparta Fire Department

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

Year ended March 31, 2007

REVENUES	
Contributions from participating units	$ 341,336
Interest	6,236
Other	2,789
Total revenues	350,361
EXPENDITURES	
Public safety	275,395
Capital outlay	4,895
Debt service:	
Principal	8,526
Interest	957
Total expenditures	289,773
NET CHANGE IN FUND BALANCE	60,588
FUND BALANCE - BEGINNING	143,304
FUND BALANCE - ENDING	$ 203,892
Net change in fund balance	$ 60,588
Amounts reported in the statement of activities are different because:	
Change in prepaid expenses	(80)
Capital assets - provision for depreciation	(76,406)
Long-term debt - principal repayments	8,526
Change in net assets (page 5)	$ (7,372)

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Sparta Fire Department (the Department), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:
The Department is a joint venture of the Village of Sparta and the Township of Sparta. Costs of operations and capital expenditures are supported by contributions from the Village, which contributes one-third and the Township, which contributes two-thirds of the Department's proposed budget. In addition, a township-wide millage is made available to the Department.

The accompanying financial statements present only the Department. There are no component units or entities for which the Department is considered to be financially accountable.

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 activities of the Department.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program revenues are reported instead as general revenues.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department generally considers revenues to be available if they are expected to be 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. Interest and other revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Department.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Department has elected not to follow subsequent private-sector standards.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement focus, basis of accounting, and financial statement presentation: (continued)
Amounts reported as program revenues include: (1) charges to customers for services provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - No allowance for uncollectible accounts has been recorded as the Department considers all receivables to be fully collectible.

iii) 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.

iv) Capital assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of more than $1,500 and an estimated useful life in excess of two years. 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment and vehicles	5 - 20 years

v) 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - The annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the Board is the function level.

Excess of expenditures over appropriations - During the year ended March 31, 2007, the Department incurred the following expenditures that were significantly in excess of the amount appropriated.

Function	*Amended budget*	*Actual*	*Variance*
Public safety	$250,675	$275,395	$ 24,720

NOTE 3 - CASH:

Deposits with financial institutions:
Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Department's investment policy authorize the Department to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Department's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Department not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2007, $128,996 of the Township's bank balances of $228,996 was exposed to custodial credit risk because it was uninsured.

The Department believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Department evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables, as of year end, consist of contributions due from a local governmental unit. The receivables are due within one year and are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

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

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Capital assets being depreciated:				
Buildings and improvements	$ 227,563	$ -	$ -	$ 227,563
Equipment	463,488	-	-	463,488
Vehicles	942,000	-	-	942,000
Subtotal	1,633,051	-	-	1,633,051
Less accumulated depreciation for:				
Buildings and improvements	(91,619)	(4,566)	-	(96,185)
Equipment	(175,252)	(25,840)	-	(201,092)
Vehicles	(488,500)	(46,000)	-	(534,500)
Subtotal	(755,371)	(76,406)	-	(831,777)
Total capital assets being depreciated, net	$ 877,680	$ (76,406)	$ -	$ 801,274

NOTE 6 - NONCURRENT LIABILITIES:

At March 31, 2007, noncurrent liabilities are comprised of the following issue:

Installment purchase agreement note payable:

$42,954 2004 bank note due in monthly installments of $787, including interest at 3.79%; final payment due May 2009	$ 19,585

Noncurrent liability activity for the year ended March 31, 2007, was as follows:

	Beginning balance	*Additions*	*Reductions*	*Ending balance*	*Amounts due within one year*
2004 bank note	$ 28,111	$ -	$ (8,526)	$ 19,585	$ 8,853

At March 31, 2007, debt service requirements were as follows:

Year ended March 31:	*Principal*	*Interest*
2008	$ 8,853	$ 591
2009	9,195	249
2010	1,537	35
Totals	$ 19,585	$ 875

NOTE 7 - RISK MANAGEMENT:

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Department has purchased commercial insurance for each of these claims up to $5,000,000 and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Sparta Fire Department
BUDGETARY COMPARISON SCHEDULE
Year ended March 31, 2007

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
REVENUES				
Local unit contributions:				
Township of Sparta	$ 190,000	$ 190,000	$ 190,000	$ -
Village of Sparta	95,000	95,000	95,000	-
Township-wide millage	-	-	56,336	56,336
Interest	-	-	6,236	6,236
Other	-	-	2,789	2,789
Total revenues	285,000	285,000	350,361	65,361
EXPENDITURES				
Public safety:				
Salaries and wages	135,400	135,400	140,356	(4,956)
Payroll taxes	10,125	10,125	9,722	403
Employee insurance	6,400	6,400	6,642	(242)
Office supplies	1,750	1,750	2,304	(554)
Operating supplies	14,500	14,500	19,717	(5,217)
Repairs and maintenance	15,000	15,000	16,129	(1,129)
Contracted services	7,500	7,500	23,207	(15,707)
Insurance	15,000	15,000	8,260	6,740
Education and training	13,000	13,000	14,745	(1,745)
Fuel	4,500	4,500	5,358	(858)
Dues	1,600	1,600	2,268	(668)
Telephone	3,600	3,600	2,770	830
Buildings and grounds	2,050	2,050	5,959	(3,909)
Utilities	11,600	11,600	9,861	1,739
Miscellaneous	8,650	8,650	8,097	553
Total public safety	250,675	250,675	275,395	(24,720)
Capital outlay	12,000	12,000	4,895	7,105
Debt service:				
Principal	20,000	20,000	8,526	11,474
Interest	2,325	2,325	957	1,368
Total expenditures	285,000	285,000	289,773	(4,773)

Sparta Fire Department
BUDGETARY COMPARISON SCHEDULE (Continued)
Year ended March 31, 2007

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
NET CHANGES IN FUND BALANCES	$ -	$ -	$ 60,588	$ 60,588
FUND BALANCES - BEGINNING	143,304	143,304	143,304	-
FUND BALANCES - ENDING	$ 143,304	$ 143,304	$ 203,892	$ 60,588