# White Lake Fire Authority
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**
(with required supplementary information)

December 31, 2007

# CONTENTS

## Brief Discussion of the Basic Financial Statements

This annual report consists of three parts-*management's discussion and analysis, the basic financial statements,* and *required supplementary information.* The basic financial statements include information that presents two different views of the Authority.

*The first three columns of the financial statements include information about the Authority's General Fund and two capital project funds under the modified accrual method of accounting. These financial statements focus on current resources and provide a detailed view of the Authority's sources and uses of funds.

*The "Adjustments" columns of the financial statements represent adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method of accounting required for the year ended December 31, 2007.

*The last column provides both long term and short term information about the Authority's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Authority as a whole, and present a longer term view of the Authority's finances.

The financial statements also include *notes* which explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

## Condensed Financial Information

A. <u>Statement of Net Assets</u>

The current assets are comprised of cash and investments and property taxes receivables. The taxes receivable represents taxes levied in December 2007, but not collected or recognized until 2008. The taxes are not recognized as revenues since they are intended to fund fiscal year 2008 operations. Current assets increased this year due to an increase in net assets. Capital assets, net of depreciation decreased due to normal depreciation exceeding current year additions.

The current liabilities are primarily deferred revenue related to the taxes receivable noted above. Noncurrent liabilities decreased due to normal scheduled loan payments.

The net assets are divided into three types. "Invested in capital assets, net of related debt" represents the Authority's investment in capital assets net of accumulated depreciation and debt related to the purchase of the capital assets. "Invested in capital assets, net of related debt" decreased as depreciation of capital assets exceeds the current principal payments on long-term debt. The "restricted for capital projects" represents the monies set aside for future equipment and facilities upgrades and replacements. This amount increased as there were minimal capital additions during the year. The unrestricted net assets represent assets available to the Authority.

### Condensed Statement of Net Assets

| | 2007 | 2006 |
|---|---|---|
| Current assets | $ 1,057,344 | $ 941,619 |
| Capital assets, net of depreciation | 1,310,198 | 1,409,136 |
| Total assets | 2,367,542 | 2,350,755 |
| | | |
| Current liabilities | 577,070 | 566,356 |
| Noncurrent liabilities | 317,606 | 337,113 |
| Total liabilities | 894,676 | 903,469 |
| | | |
| Net assets | | |
| Invested in capital assets, net of related debt | 973,049 | 1,053,387 |
| Restricted for capital projects | 402,747 | 332,721 |
| Unrestricted | 97,070 | 61,178 |
| Total net assets | $ 1,472,866 | $ 1,447,286 |

B. Statement of Activities

The statement of activities measures the Authority's financial performance for the year. The largest revenue source is property taxes which represents approximately 87% of total revenues. Intergovernmental revenues decreased due to a lack of available federal grants. The largest expenses are salaries, wages and fringe benefits and depreciation, which represent approximately 52% and 21% of total expenditures, respectively. Salaries wages and fringe benefits increased due to a significant increase in health insurance costs. Depreciation expense increased due to continued replacement of aging equipment and new equipment additions. The decrease in other expenses was primarily due to conservative fiscal policies.

### Condensed Statement of Activities

| | 2007 | 2006 |
|---|---|---|
| General revenues | | |
| Property taxes | $ 520,791 | $ 490,045 |
| Intergovernmental revenues | 38,761 | 51,792 |
| Contributions | - | 1,195 |
| Other | 38,398 | 32,598 |
| Total revenues | 597,950 | 575,630 |
| Expenditures | | |
| Salaries, wages and fringe benefits | 294,866 | 279,894 |
| Depreciation expense | 120,701 | 116,069 |
| Other expenses | 156,803 | 174,000 |
| Total expenditures | 572,370 | 569,963 |
| Change in net assets | 25,580 | 5,667 |
| Net assets at the beginning of the year | 1,447,286 | 1,441,619 |
| Net assets at the end of the year | $ 1,472,866 | $ 1,447,286 |

**Analysis of Modified Accrual Financial Statements**

The Authority operates three separate funds, each of which serves a different function. The General Fund is the Authority's primary operating fund in which all transactions for day to day operations are recorded. The capital project funds are established to set aside funds for future upgrades and replacement of equipment and facilities.

The General Fund had an increase in fund balance of $34,574. Revenues increased due to an increase in property taxes offset by a drop in grant revenues. Expenditures decreased by approximately $14,000 due to a drop in capital outlay in the General Fund. The General Fund ended the year with a fund balance of $106,670.

In the General Fund, the significant balances, other than cash and investments, are property taxes receivable and an off-setting deferred revenue account, since the taxes levied in December 2007 are intended to fund fiscal year 2008 operations.

The largest expenses of the General Fund are salaries, wages and fringe benefits. Salaries and wages were flat due to the Fire Chief position being reduced from a full time to a part-time position which was offset by rising wage in other areas. The fringe benefits include payroll taxes, and workers compensation, health, life, vision and dental insurance, and retirement for full-time employees. Fringe benefits increased due to a significant increase in health insurance costs.

**Authority Budget Highlights**

The original budget was not amended during the year. The actual revenues and expenditures exceeded budget in a couple of areas.

- Intergovernmental revenues – Local was over budget due to local pass through revenues exceeding the initial estimate.
- Investment earnings exceeded budget due to a conservative budget amount.
- Salaries and wages were under budget due to wages being less than expected.
- Fringe benefits were over budget due to health insurance being significantly more than expected
- Equipment maintenance exceeds budget due to unexpected increase in repairs due to aging equipment.
- Rental and lease expense exceeded budget due to an increase in rent charged for facilities.
- Other expenses were over budget due to an increase in medical supplies expense.
- Capital outlay was over budget due to the purchase of a trailer not included in the budget.

**Capital Assets**

Capital assets decreased during the year as current year depreciation exceeded current year capital asset additions. The most significant additions during the year were a trailer and breathing equipment for the ladder truck. See Footnote D for additional information.

**Long-term Debt**

Long-term debt decreased during the year due to normal scheduled principal payments. Additional information is available in Note G of the financial statements.

**Anticipated Budget Factors and Currently Known Facts for 2008**

Property taxes are expected to increase at the rate of inflation. Property taxes represent the Authorities primary revenue source so any future changes in taxable values will have a significant affect on future revenues. The Authority has established a committee to review the future equipment needs of the Authority. No significant equipment additions are expected until this committee has completed its assessment.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances for all those interested in them. Questions may be directed to the Fire Chief at White Lake Fire Authority, 115 S. Baldwin, Whitehall, MI 49461.

# BRICKLEY DELONG
CERTIFIED PUBLIC ACCOUNTANTS


## INDEPENDENT AUDITORS' REPORT

March 27, 2009

Board of Directors
White Lake Fire Authority
Whitehall, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of White Lake Fire Authority as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of White Lake Fire Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 White Lake Fire Authority as of December 31, 2007 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - iv and 15 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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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White Lake Fire Authority

**BALANCE SHEET—STATEMENT OF NET ASSETS**

December 31, 2007

| | Balance Sheet - Modified accrual | | | | | Statement of |
|---|---|---|---|---|---|---|
| | | Equipment | | | | Net Assets - |
| | General | Replacement | Facilities | Total | Adjustments | Full accrual |
| ASSETS | | | | | | |
| Cash and investments | $ 296,258 | $ 79,539 | $ 228,757 | $ 604,554 | $ - | $ 604,554 |
| Property taxes receivable | 452,790 | - | - | 452,790 | - | 452,790 |
| Due from other funds | - | 85,571 | 8,880 | 94,451 | (94,451) | - |
| Capital assets, net | | | | | | |
| Depreciable | - | - | - | - | 1,310,198 | 1,310,198 |
| Total assets | $ 749,048 | $ 165,110 | $ 237,637 | $ 1,151,795 | 1,215,747 | 2,367,542 |
| LIABILITIES | | | | | | |
| Accounts payable | $ 9,042 | $ - | $ - | $ 9,042 | - | 9,042 |
| Accrued liabilities | 19,028 | - | - | 19,028 | 9,600 | 28,628 |
| Due to other funds | 94,451 | - | - | 94,451 | (94,451) | - |
| Deferred revenue | 519,857 | - | - | 519,857 | - | 519,857 |
| Long-term debt | | | | | | |
| Due within one year | - | - | - | - | 19,543 | 19,543 |
| Due in more than one year | - | - | - | - | 317,606 | 317,606 |
| Total liabilities | 642,378 | - | - | 642,378 | 252,298 | 894,676 |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Equipment replacement | - | 165,110 | - | 165,110 | (165,110) | - |
| Facility replacement | - | - | 237,637 | 237,637 | (237,637) | - |
| Unreserved | | | | | | |
| Undesignated | 106,670 | - | - | 106,670 | (106,670) | - |
| Total fund balances | 106,670 | 165,110 | 237,637 | 509,417 | (509,417) | - |
| Total liabilities and fund balances | $ 749,048 | $ 165,110 | $ 237,637 | $ 1,151,795 | | |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | | | | | 973,049 | 973,049 |
| Restricted for capital projects | | | | | 402,747 | 402,747 |
| Unrestricted | | | | | 97,070 | 97,070 |
| Total net assets | | | | | $ 1,472,866 | $ 1,472,866 |

The accompanying notes are an integral part of this statement.

White Lake Fire Authority

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**

**IN FUND BALANCES—STATEMENT OF ACTIVITIES**

For the year ended December 31, 2007

| | Revenues and Expenditures - Modified accrual | | | | | Statement of |
|---|---|---|---|---|---|---|
| | | Equipment | | | | Activities - |
| | General | Replacement | Facilities | Total | Adjustments | Full accrual |
| REVENUES | | | | | | |
| Property taxes | $ 520,791 | $ - | $ - | $ 520,791 | $ - | $ 520,791 |
| Intergovernmental revenues - Local | 38,761 | - | - | 38,761 | - | 38,761 |
| Investment earnings | 14,441 | 3,969 | 10,045 | 28,455 | - | 28,455 |
| Other | 9,943 | - | - | 9,943 | - | 9,943 |
| Total revenues | 583,936 | 3,969 | 10,045 | 597,950 | - | 597,950 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Salaries and wages | 213,772 | - | - | 213,772 | - | 213,772 |
| Fringe benefits | 81,094 | - | - | 81,094 | - | 81,094 |
| Operating supplies | 3,531 | - | - | 3,531 | - | 3,531 |
| Gasoline | 14,189 | - | - | 14,189 | - | 14,189 |
| Equipment maintenance | 27,034 | - | - | 27,034 | - | 27,034 |
| Office supplies | 3,395 | - | - | 3,395 | - | 3,395 |
| Insurance and bonds | 16,129 | - | - | 16,129 | - | 16,129 |
| Communications | 11,423 | - | - | 11,423 | - | 11,423 |
| Education and training | 4,253 | - | - | 4,253 | - | 4,253 |
| Professional fees | 10,662 | - | - | 10,662 | - | 10,662 |
| Uniforms | 1,915 | - | - | 1,915 | - | 1,915 |
| Rental and lease expense | 20,139 | - | - | 20,139 | - | 20,139 |
| Other | 14,562 | - | - | 14,562 | - | 14,562 |
| Debt service | | | | | | |
| Principal | - | 18,600 | - | 18,600 | (18,600) | - |
| Interest and fees | - | 19,161 | - | 19,161 | (1,318) | 17,843 |
| Capital outlay | 17,602 | 15,889 | - | 33,491 | (21,763) | 11,728 |
| Depreciation | - | - | - | - | 120,701 | 120,701 |
| Total expenditures | 439,700 | 53,650 | - | 493,350 | 79,020 | 572,370 |
| Excess of revenues over (under) expenditures | 144,236 | (49,681) | 10,045 | 104,600 | (79,020) | 25,580 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in (out) | (109,662) | 99,662 | 10,000 | - | - | - |
| Change in fund balances—net assets | 34,574 | 49,981 | 20,045 | 104,600 | (79,020) | 25,580 |
| Fund balances—net assets at January 1, 2007 | 72,096 | 115,129 | 217,592 | 404,817 | 1,042,469 | 1,447,286 |
| Fund balances—net assets at December 31, 2007 | $ 106,670 | $ 165,110 | $ 237,637 | $ 509,417 | $ 963,449 | $ 1,472,866 |

The accompanying notes are an integral part of this statement.

White Lake Fire Authority
**NOTES TO THE FINANCIAL STATEMENTS**
December 31, 2007

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of White Lake Fire Authority (Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

***Reporting Entity***
White Lake Fire Authority is incorporated under the provisions of Act 57 Public Acts of 1988 in Michigan for the purpose of providing fire protection and rescue services to Fruitland Township, Whitehall Township and the City of Whitehall. The Authority is governed by a six member Board, appointed by the participating governmental units, and is administered by a Fire Chief appointed by the Board.

Generally accepted accounting principles require that if the Authority has certain oversight responsibilities over other organizations, those organizations should be included in the Authority’s financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-wide and Fund Financial Statements***
The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Authority. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All three of the Authority’s funds are considered to be major funds.

***Measurement Focus and Basis of Accounting***
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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest 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 and available only when cash is received by the Authority.

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

***Measurement Focus and Basis of Accounting—Continued***
The Authority reports the following major governmental funds:

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

The Equipment Replacement Fund and Facility Fund are used to account for the purchase of capital assets for the Authority.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

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

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

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

**Deposits and Investments**
The Authority's cash and cash equivalents are 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.

The Authority reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

***Assets, Liabilities and Fund Equity or Net Assets—Continued***

**Receivables and Payables**
Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied on December 1 and are due without penalty on or before February 15. The property taxes attach as an enforceable lien on property as of December 1. Property taxes are collected and forwarded to the Authority by the participating municipalities. Uncollected real property taxes as of the following March 1 are turned over by the participating municipalities to the County for collection. The County advances the Authority all of these delinquent real property taxes. Collection of delinquent personal property taxes as of March 1 remains the responsibility of the Authority.

The Authority recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 day). The 2006 state taxable valuation for real/personal property of the Authority was approximately $363,000,000. The ad valorem taxes levied consisted of 1.44 mills for operating purposes.

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

**Capital Assets**
Capital assets, which include property and equipment, are defined by the government as assets with an initial, individual cost of more than $1,000 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

## NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

### *Assets, Liabilities and Fund Equity or Net Assets—Continued*

**Capital Assets—Continued**
Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Leasehold improvements | 10 |
| Transportation equipment | 6-20 |
| Equipment | 10 |
| Furniture and fixtures | 7 |
| Office equipment | 5 |

**Compensated Absences**
The Authority's full-time employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation and sick time does not accumulate from year to year.

**Fund Balance**
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.

## NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**Budgetary Information**
Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Authority follows these procedures in establishing the budgetary information provided in the financial statements:

a. Prior to the beginning of the year, the Fire Chief submits to the Authority Board a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

b. Public hearings are conducted to obtain taxpayer comments.

c. Not later than December 31, the budget is legally enacted through passage of a resolution.

d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Authority Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund and individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Authority Board made several supplemental budgetary appropriations throughout the year.

## NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

### Excess of Expenditures Over Appropriations

| | Amended budget | Actual |
|---|---|---|
| General Fund | | |
| Fringe benefits | $ 53,784 | $ 81,094 |
| Equipment maintenance | 18,000 | 27,034 |
| Rental and lease expense | 17,500 | 20,139 |
| Other | 8,750 | 14,562 |
| Capital outlay | 7,000 | 17,602 |

These over expenditures were funded with available fund balance.

## NOTE C—DEPOSITS AND INVESTMENTS

**Interest rate risk.** The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Authority does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk – deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. As of December 31, 2007, $519,602 of the Authority’s bank balance of $619,602 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk – investments.** The Authority does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Authority is not authorized to invest in investments which have this type of risk.

## NOTE D—CAPITAL ASSETS

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

| | Balance January 1, 2007 | Additions | Deductions | Balance December 31, 2007 |
|---|---|---|---|---|
| **Capital assets, being depreciated:** | | | | |
| Leasehold improvements | $ 5,950 | $ - | $ - | $ 5,950 |
| Transportation equipment | 1,302,027 | - | - | 1,302,027 |
| Equipment | 454,398 | 21,763 | - | 476,161 |
| Furniture and fixtures | 1,841 | - | - | 1,841 |
| Office equipment | 13,446 | - | - | 13,446 |
| Total capital assets, being depreciated | 1,777,662 | 21,763 | - | 1,799,425 |
| **Less accumulated depreciation:** | | | | |
| Leasehold improvements | 3,280 | 332 | - | 3,612 |
| Transportation equipment | 224,718 | 75,225 | - | 299,943 |
| Equipment | 129,808 | 43,462 | - | 173,270 |
| Furniture and fixtures | 1,255 | 175 | - | 1,430 |
| Office equipment | 9,465 | 1,507 | - | 10,972 |
| Total accumulated depreciation | 368,526 | 120,701 | - | 489,227 |
| Capital assets, net | $ 1,409,136 | $ (98,938) | $ - | $ 1,310,198 |

## NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2007 is as follows:

**Due to/from other funds:**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Equipment Replacement Fund | General Fund | $ 85,571 |
| Facilities Fund | General Fund | 8,880 |
| | | $ 94,451 |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

## NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued

**Interfund transfers:**

| | Transfers in: Equipment Replacement Fund | Transfers in: Facilities Fund | Total |
|---|---|---|---|
| Transfers out: | | | |
| General Fund | $ 99,662 | $ 10,000 | $ 109,662 |

The transfers from the General Fund were made to fund future capital asset replacements and improvements.

## NOTE F—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenues reported in the governmental funds were $519,857 due to property taxes levied in December 2007 that were unearned and intended to fund fiscal year 2008.

## NOTE G—LONG-TERM DEBT

**Summary of Changes in Long-Term Liabilities**
The following is a summary of long-term liabilities activity for the Authority for the year ended December 31, 2007.

| | Balance January 1, 2007 | Additions | Reductions | Balance December 31, 2007 | Due within one year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Installment purchase agreement | $ 355,749 | $ - | $ 18,600 | $ 337,149 | $ 19,543 |

The $387,000 installment purchase agreement is due in annual installments of $35,962 including interest through May 2020. Interest is due annually at 4.87 percent.

## NOTE G—LONG-TERM DEBT—Continued

Annual debt service requirements to maturity for debt outstanding as of December 31, 2007 follows:

| Year ending December 31, | Governmental activities Principal | Governmental activities Interest |
|---|---|---|
| 2008 | $ 19,543 | $ 16,419 |
| 2009 | 20,495 | 15,467 |
| 2010 | 21,493 | 14,469 |
| 2011 | 22,540 | 13,422 |
| 2012 | 23,638 | 12,325 |
| 2013-2017 | 136,619 | 43,196 |
| 2018-2020 | 92,821 | 8,892 |
| | $ 337,149 | $ 124,190 |

## NOTE H—OTHER INFORMATION

### Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

### Building Leases

The Authority leases facilities from the City of Whitehall and Fruitland Township, which are participating governmental units, under thirty-year agreements. The City of Whitehall lease requires semi-annual rentals of approximately $6,000. The Fruitland Township lease requires annual rental of approximately $5,800. Occupancy expenses are paid by the lessor for both leases. Total rent expense was $17,886 for the year ended December 31, 2007.

Each lease can be terminated by either party with twelve months advance notice.

### Equipment Leases

The Authority leases equipment from the City of Whitehall and Fruitland Township under a thirty-year agreement requiring annual rentals of $1. The Authority is responsible for all repair and maintenance of leased equipment. If leased equipment is replaced by the Authority, the leased equipment is required to be returned to the lessor for its disposal. Each lease can be terminated by either party with twelve months advance notice.

## NOTE I—DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Authority employees at their option, permits participants to defer a portion of their salary until future years and provides 5 percent matching contributions of employee elective deferrals. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency. The Authority's matching contribution was $7,694 for the year ended December 31, 2007.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

## NOTE J—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

| | | |
|---|---|---|
| **Total fund balance** - governmental funds | | $ 509,417 |
| Amounts reported for government activities in the Statement of Net Assets are different because: | | |
| Capital assets used in the governmental activities are not current financial resources and are not reported in the governmental funds. | | |
| Cost of capital assets | $ 1,799,425 | |
| Accumulated depreciation | (489,227) | 1,310,198 |
| Accrued interest in governmental activities is not reported in the governmental funds. | | (9,600) |
| Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds. | | (337,149) |
| Net assets of governmental activities in the Statement of Net Assets | | $ 1,472,866 |

**NOTE J—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS—Continued**

| | | |
|---|---|---|
| **Net change in fund balances** - total governmental funds | | $ 104,600 |
| Amounts reported for government activities in the Statement of Activities are different because: | | |
| Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives. | | |
| Depreciation expense | $ (120,701) | |
| Capital outlay | 21,763 | (98,938) |
| Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | 18,600 |
| Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid. | | 1,318 |
| Change in net assets in governmental activities | | $ 25,580 |

## REQUIRED SUPPLEMENTARY INFORMATION

White Lake Fire Authority

Required Supplementary Information

**BUDGETARY COMPARISON SCHEDULE**

General Fund

For the year ended December 31, 2007

| | Budgeted amounts | | | Variance with final budget-positive |
|---|---|---|---|---|
| | Original | Final | Actual | (negative) |
| REVENUES | | | | |
| Property taxes | $ 521,656 | $ 521,656 | $ 520,791 | $ (865) |
| Intergovernmental revenues - Local | 25,870 | 25,870 | 38,761 | 12,891 |
| Investment earnings | 1,000 | 1,000 | 14,441 | 13,441 |
| Other | 1,500 | 1,500 | 9,943 | 8,443 |
| Total revenues | 550,026 | 550,026 | 583,936 | 33,910 |
| EXPENDITURES | | | | |
| Current | | | | |
| Salaries and wages | 254,830 | 254,830 | 213,772 | 41,058 |
| Fringe benefits | 53,784 | 53,784 | 81,094 | (27,310) |
| Operating supplies | 5,000 | 5,000 | 3,531 | 1,469 |
| Gasoline | 16,500 | 16,500 | 14,189 | 2,311 |
| Equipment maintenance | 18,000 | 18,000 | 27,034 | (9,034) |
| Office supplies | 2,000 | 2,000 | 3,395 | (1,395) |
| Insurance and bonds | 21,000 | 21,000 | 16,129 | 4,871 |
| Communications | 13,500 | 13,500 | 11,423 | 2,077 |
| Education and training | 5,000 | 5,000 | 4,253 | 747 |
| Professional fees | 15,000 | 15,000 | 10,662 | 4,338 |
| Uniforms | 2,500 | 2,500 | 1,915 | 585 |
| Rental and lease expense | 17,500 | 17,500 | 20,139 | (2,639) |
| Other | 8,750 | 8,750 | 14,562 | (5,812) |
| Capital outlay | 7,000 | 7,000 | 17,602 | (10,602) |
| Total expenditures | 440,364 | 440,364 | 439,700 | 664 |
| Excess of revenues over (under) expenditures | 109,662 | 109,662 | 144,236 | 34,574 |
| OTHER FINANCING USES | | | | |
| Transfers out | (109,662) | (109,662) | (109,662) | - |
| Net change in fund balance | $ - | $ - | 34,574 | $ 34,574 |
| Fund balance at January 1, 2007 | | | 72,096 | |
| Fund balance at December 31, 2007 | | | $ 106,670 | |

BRICKLEY DELONG
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

March 27, 2009

Board of Directors
White Lake Fire Authority
Whitehall, Michigan

In planning and performing our audit of the financial statements of White Lake Fire Authority as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered White Lake Fire Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and deficiencies that we consider to be material weaknesses.

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 have attached a summary of deficiencies that we consider to be significant deficiencies.

A material weakness is a significant deficiency, or a 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 entity's internal control. We believe the attached deficiencies, identified as a material weakness, constitute material weaknesses.

This communication is intended solely for the information and use of management, the Board of Directors, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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## MATERIAL WEAKNESSES

Recommendation 1: A complete set of accounting records should be maintained.

During our testing, we noted that the Authority did not maintain a complete set of accounting records. The Authority used an outside service to prepare payroll, but this information was not entered into the accounting records. In addition, no deposits or bank reconciliations were completed during the year.

We recommend that complete accounting records be maintained at all times. These records should include all transactions of the Authority.

Recommendation 2: Proper segregation of duties should be established.

Small organizations with limited resources and personnel inherently have difficulty establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties. During the year, the Fire Chief started completing all aspects of the accounting with limited, if any, oversight. Procedures should be established to segregate certain activities.

It is inherently difficult to maintain proper segregation of duties, but the Authority should look for opportunities to further segregate duties and strengthen internal controls. In addition, the controls established should be performed in a manner that is documented by those completing the procedure. The proper use of segregation of duties would help reduce the possibility of inadvertent errors or misappropriations going undetected.

Recommendation 3: Bank reconciliations should be prepared on a timely basis.

During our testing, we noted that bank reconciliations were not prepared. Bank reconciliations serve as a control procedure to determine that the general ledger cash account activity is in agreement with bank statement activity for the same period.

The timely performance of effective bank reconciliation procedures would ensure the timely detection of errors committed by bank and/or Authority personnel in the recording and reporting of cash transactions.

Recommendation 4: Budgetary policies and procedures should be improved.

During the testing, we noted several budgeted transfers that were not recorded. The interim and year accounting records were misstated as a result. The General Fund appeared to have significantly more resources and the Equipment Replacement Fund appeared to have significantly less resources than they actually did. These transfers were budgeted and should have been completed on a timely basis.

The budgeting procedures and internal control surrounding this function should be improved. The review of budget to actual amounts on a regular basis would help to ensure compliance with the approved budget.

## MATERIAL WEAKNESSES—CONTINUED

Recommendation 5: Property tax revenues should be properly recorded.

During our testing, we noted property tax revenues were not recorded in the proper year. Amounts received for future years were recorded as revenues instead of deferred revenue. In addition, intergovernmental revenues received from another entity were recorded as property taxes.

Procedures should be developed so that revenues are recorded in the proper period. Proper revenue recognition would ensure the Authority's Board is making informed decisions.

Recommendation 6: Monthly financial reports should be provided to the board.

During our testing, we noted that the board of directors was provided monthly financial statements. The board of directors should receive and review financial statements on a monthly basis.

Procedures should be established to ensure that the board receives monthly financial statements that include a balance sheet and a monthly budget to actual comparison.

## SIGNIFICANT DEFICIENCIES

Recommendation 7: Year end cash disbursement and accrued liability cutoff procedures should be improved.

During our testing, we noted that year end accounts payable or accrued liabilities were not recorded.

The creation of year end cutoff procedures for accounts payable and accrued liabilities would help ensure that all accounts payable and accrued liabilities are properly recorded and that year end financial statements are accurate.

Recommendation 8: A capitalization policy should be adopted including a floor dollar limit for recording of assets within the Statement of Net Assets.

During our review of procedures surrounding capital assets, we noted that no formal guidelines exist to determine whether certain expenditures are capitalized or expensed.

The establishment of capitalization guidelines would provide for the recording of only significant expenditures as property and equipment and would eliminate the capitalization of small expenditures.

Recommendation 9: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.