

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Walkerville Fire & Rescue Department	County Oceana
Fiscal Year End 2/28/07	Opinion Date 6/26/07	Date Audit Report Submitted to State 6/29/07	

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) Hendon & Slate, P.C.		Telephone Number 231-924-6890
Street Address 711 W. Main Street		City Fremont
		State MI
		Zip 49412
Authorizing CPA Signature <i>Jodi DeKuijper, CPA</i>	Printed Name Jodi DeKuijper	License Number 1101021180

**WALKERVILLE AREA FIRE AND
RESCUE DEPARTMENT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2007

TABLE OF CONTENTS

Financial Section

Independent Auditor's Report.....1.....

Governmental Funds Balance Sheets/Statements of Net Assets..... 2

Statements of Governmental Revenue, Expenditures & Changes in
Fund Balance/Statements of Activities..... 3

Notes to the Financial Statements.....4-11.....

Required Supplemental Data Section

Budgetary Comparison Schedule - General Fund.....12.....

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board of Directors
Walkerville Area Fire and Rescue Department
Walkerville, MI 49459

Independent Auditor's Report

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Walkerville Area Fire and Rescue Department as of and for the year ended February 28, 2007, which collectively comprise a portion of the Department's basic financial statements required by accounting principles generally accepted in the United States of America. 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 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 from 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 financial position of the Walkerville Fire and Rescue Department as of February 28, 2007 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information is presented for purposes of additional analysis, and is not a required part of the financial statements of Walkerville Area Fire and Rescue Department. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Walkerville Area Fire and Rescue Department has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Hendon & Slate
Hendon & Slate, PC

Certified Public Accountants

June 26, 2007

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Governmental Funds Balance Sheet/Statement of Net Assets
February 28, 2007

	General <u>Fund</u>	<u>Adjustments</u> ^a	Statement of <u>Net Assets</u>
ASSETS			
Current Assets			
Cash and Equivalents	\$ 264,663	\$ -	\$ 264,663
Accounts Receivable	18,005	-	18,005
Prepaid Insurance	-	5,118	5,118
Total Current Assets	<u>282,668</u>	<u>5,118</u>	<u>287,786</u>
Capital Assets, Net of Accumulated Depreciation	-	674,749	674,749
Total Assets	<u><u>\$ 282,668</u></u>	<u>679,867</u>	<u>962,535</u>
 LIABILITIES AND FUND EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 4,711	-	4,711
Payroll Tax Withholding	23	-	23
Deferred Revenue	63,599	-	63,599
Current Portion of Long-Term Debt	-	30,925	30,925
Total Current Liabilities	<u>68,333</u>	<u>30,925</u>	<u>99,258</u>
Note Payable	-	383,075	383,075
Total Liabilities	<u>68,333</u>	<u>414,000</u>	<u>482,333</u>
Fund Balances/Net Assets			
Fund Balance			
Unreserved	<u>214,335</u>	<u>(214,335)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 282,668</u></u>		
Net Assets:			
Invested in Capital Assets Net of Related Debt		260,749	260,749
Unrestricted		219,453	219,453
Total Net Assets		<u><u>\$ 480,202</u></u>	<u><u>\$ 480,202</u></u>

^aNotes to the Financial Statements provide the details for main components of the adjustments.
The Notes to the Financial Statements are an integral part of this statement.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Statement of Governmental Revenue, Expenditures and
Changes in Fund Balance/Statement of Activities
For the Year Ended February 28, 2007

	<u>General Fund</u>	<u>Adjustments^a</u>	<u>Statement of Activities</u>
Revenues			
Contributions From Local Units	\$ 186,556	\$ -	\$ 186,556
Charges for Services - Rescue	18,005	-	18,005
Other Revenue	56,804	-	56,804
	<hr/>	<hr/>	<hr/>
Total Revenues	261,365	-	261,365
Expenditures			
Public Safety	112,186	55,831	168,017
Debt Service	45,801	(30,000)	15,801
Capital Outlay	254,036	(249,693)	4,343
	<hr/>	<hr/>	<hr/>
Total Expenditures	412,023	(223,862)	188,161
Excess Revenues Over (Under) Expenditures Before Other Financing Sources	(150,658)	223,862	73,204
Other Financing Sources			
Proceeds From Debt	63,272	(63,272)	-
	<hr/>	<hr/>	<hr/>
Excess Revenues Over (Under) Expenditures	(87,386)	160,590	73,204
Fund Balance/Net Assets - Beginning of Year	301,721	105,277	406,998
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Assets - End of Year	\$ 214,335	\$ 265,867	\$ 480,202
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

^aNotes to the Financial Statements provide the details for main components of the adjustments.
The Notes to the Financial Statements are an integral part of this statement.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Notes to the Financial Statements
February 28, 2007

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Walkerville Area Fire and Rescue Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Walkerville Area Fire and Rescue Department.

A. Reporting Entity

The entity is organized as a Fire Department whose purpose is to provide fire protection for the Village of Walkerville and the Townships of Elbridge, Colfax, Beaver, Troy, and Leavitt. The Fire Department is governed by a Board whose membership is comprised of representation from the participating governmental units. Each unit involved contributes an amount based on its State Equalized Valuation.

B. 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Notes to the Financial Statements (Continued)

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, as are the proprietary fund and fiduciary fund financial statements. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenues that are both measurable and available are recorded when earned. All other revenue items are considered to be available only when cash is received by the Authority.

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 general government, except those required to be accounted for in another fund.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, however, there is only one fund reported.

D. Assets, Liabilities, and Net Assets or Equity

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

Notes to the Financial Statement (Continued)

Receivables & Payables - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories & Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Donated assets totaling \$-0- were received as of February 28, 2007.

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

Buildings & Improvements	15 - 50 years
Vehicles	10 - 15 years
Office Equipment	3 - 10 Tears
Fire Equipment	5 - 20 years

Estimates - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Authority carries commercial insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Notes to the Financial Statement (Continued)

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended February 28, 2007 the Department did incur over expenditures in the following accounts:

<u>2007</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public Safety			
Office Supplies	1,750	1,951	(201)
Utilities	5,000	5,631	(631)
Dues & Subscriptions	1,750	1,775	(25)
Capital Outlay	65,659	254,036	(188,377)

In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets for this budgetary fund were adopted at the line item level.

NOTE D DEPOSITS AND INVESTMENTS

Legal Provisions for Deposits and Investments - The Investment of Surplus Funds of Political Subdivisions Act No. 20, Public Acts of 1943, as amended through December 31, 1997, state the Township, by resolution may authorize the Treasurer to invest surplus finds in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of the United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

Notes to the Financial Statement (Continued)

- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 801-3 and 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

1. The purchase of securities on a when-issued or delayed delivery basis.
 2. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Es Sess) PA7 MCL 124.501 to 124.512.
 - i. Investment pools organized under the surplus Funds investment Pool Act, 1982 PA 367, 129.111 to 129.118.
 - j. The investment pools organized under the Local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Types of Deposits and Investments - The Fire Department maintains all of its surplus cash in a local bank in the form of time deposits. All of which is in accordance with statutory requirements. The Department holds the following deposits:

	Carrying Amount	Market Value
	<u> </u>	<u> </u>
Checking	\$ 1,876	\$ 26,672
Savings	204,970	204,970
Apparatus Checking	<u>57,817</u>	<u>57,817</u>
Total Deposits	<u>\$ 264,663</u>	<u>\$ 289,459</u>
FDIC Insured		\$ 184,489
Uninsured		\$ 104,970

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

Notes to the Financial Statement (Continued)

NOTE E CHANGES IN LONG-TERM DEBT

	Outstanding Principal <u>2/28/2007</u>	Due Within <u>One Year</u>
<u>Fire Truck Loan #1</u>		
Note payable to USDA in the amount of \$225,000 for the purchase of a fire truck. The note is due in annual principal payments of \$11,000 to \$20,000 and semiannual interest payments @ 4.75% through 2016.	\$ 166,000	\$ 13,000
<u>Fire Truck Loan #2</u>		
During 2006, the Department entered into an agreement with the United States Department of Agriculture (USDA) for a note in the amount of \$265,000 for the purchase of a fire truck. As of February 28, 2006, \$201,728 had been advanced to the Department and \$63,272 was advanced in 2007. The note is due in annual principal payments of \$17,000 to \$27,125 through 2017 and interest payable semiannually at @ 4.125%.	<u>248,000</u>	<u>17,925</u>
Total Notes Payable	<u>\$ 414,000</u>	<u>\$ 30,925</u>

The annual requirements to amortize long-term debt outstanding as of February 28, 2007, including interest are as follows:

Year Ended	<u>USDA LOANS</u>	
<u>February 28</u>	<u>Principal</u>	<u>Interest</u>
2008	30,925	18,193
2009	32,850	16,831
2010	34,775	15,381
2011	35,700	13,846
2012	37,625	12,272
2013 - 2017	215,000	34,792
2018	<u>27,125</u>	<u>1,119</u>
Total	<u>\$ 414,000</u>	<u>\$ 112,434</u>

Changes in long-term debt for the year ended February 28, 2007:

	Fire Truck <u>Loan #1</u>	Fire Truck <u>Loan #2</u>	<u>Total</u>
Debt Outstanding - 3/1/06	\$ 179,000	\$ 201,728	\$ 380,728
Debt Added During the Year	-	63,272	63,272
Debt Retired During the Year	<u>(13,000)</u>	<u>(17,000)</u>	<u>(30,000)</u>
Debt Outstanding - 12/31/07	<u>\$ 166,000</u>	<u>\$ 248,000</u>	<u>\$ 414,000</u>

Interest expense for the year ended February 28, 2007 \$15,801.

Notes to the Financial Statement (Continued)

NOTE F CAPITAL ASSETS

A summary of changes in general fixed assets for governmental activities is as follows:

	<u>Balance</u> <u>3/1/2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>2/28/2007</u>
Capital Assets:				
Vehicles	\$ 692,547	\$ 249,693	\$ -	\$ 942,240
Fire Equipment	47,543	-	-	47,543
Office Equipment	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Total	757,090	249,693	-	1,006,783
Accumulated Depreciation	<u>(275,593)</u>	<u>(56,440)</u>	<u>-</u>	<u>(332,033)</u>
Net Book Value	<u>\$ 481,497</u>	<u>\$ 193,253</u>	<u>\$ -</u>	<u>\$ 674,750</u>
Depreciation Expense				
Public Safety		<u>\$ 56,440</u>		

Included in the balance for vehicles is \$37,306 in assets that are not completed and are not currently being depreciated. These assets are expected to be completed during the 07/08 fiscal year and will then be depreciated.

NOTE G RELATED PARTY TRANSACTIONS

During the year ended February 28, 2007, the Department paid \$619 for snowplow services provided by a member of the board of directors. The Department also paid \$8,849 for services provided by a business that is owned by the department's administrator and chief.

NOTE H RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and net change in fund balance of the Department's governmental fund differs from net assets and statement of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 214,335
Amounts reported in the statement of net assets are different because:	
Prepaid insurance reflects amounts that will be paid for in a future period	5,118
Capital Assets are not financial resources, and are not reported in the funds	674,749
Long-term liabilities are not due and payable in the current period and are not reported in the funds	<u>(414,000)</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$ 480,202</u>

Notes to the Financial Statement (Continued)

Net Change in Fund Balances - Modified Accrual Basis \$ (87,386)

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital Outlay		249,693
Depreciation		(56,440)

Prepaid insurance reflect amounts that will be paid in a future period:

Current Year Prepaid Insurance	5,118	
Prior Year Prepaid Insurance	<u>(4,509)</u>	609

Proceeds from long-term debt are reported as revenues in the fund statements, but not in the statement of activities (where it increases long-term debt)		(63,272)
--	--	----------

Repayments of loan principal are reported as an expenditure in the fund statements, but not in the statement of activities (where it reduces long-term debt)		<u>30,000</u>
--	--	---------------

Change in Net Assets of General Fund - Full Accrual Basis \$ 73,204

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Required Supplementary Information
 Budgetary Comparison Schedule - General Fund
 For the Year Ended February 28, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Contributions From Local Units	\$ 194,227	\$ 135,818	\$ 186,556	\$ 50,738
Charges for Services - Rescue	15,000	15,000	18,005	3,005
Other Revenue	<u>2,500</u>	<u>4,967</u>	<u>56,804</u>	<u>51,837</u>
Total Revenues	211,727	155,785	261,365	105,580
Expenditures - Public Safety				
Wages & Payroll Taxes	45,500	45,500	40,354	5,146
Recruitment/Retention Programs	3,000	2,000	1,513	487
Office Supplies	1,500	1,750	1,951	(201)
Operating Supplies	10,500	10,000	8,313	1,687
Audit	2,000	2,000	1,600	400
Legal	-	-	-	-
Training/Licensing/Travel	7,000	7,000	4,971	2,029
Insurance	16,000	16,000	15,689	311
Utilities	5,000	5,000	5,631	(631)
Repairs & Maintenance	20,000	30,967	30,289	678
Rent	100	100	100	-
Contingency	5,000	-	-	-
Dues & Subscriptions	1,500	1,750	1,775	(25)
Capital Outlay	46,409	65,659	254,036	(188,377)
Debt Service	<u>47,500</u>	<u>47,500</u>	<u>45,801</u>	<u>1,699</u>
Total Expenditures	<u>211,009</u>	<u>235,226</u>	<u>412,023</u>	<u>(176,797)</u>
Excess Revenues (Expenditures)				
Before Other Financing Sources	718	(79,441)	(150,658)	(71,217)
Other Financing Sources				
Proceeds From Debt	<u>-</u>	<u>-</u>	<u>63,272</u>	<u>63,272</u>
Excess Revenues (Expenditures)	<u>\$ 718</u>	<u>\$ (79,441)</u>	<u>(87,386)</u>	<u>\$ (7,945)</u>
Fund Balance - Beginning of Year			<u>301,721</u>	
Fund Balance - End of Year			<u>\$ 214,335</u>	

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

June 26, 2007

Board Members
Walkerville Area Fire and Rescue Department
Walkerville, Michigan

Dear Board Members:

We would like to thank you for the opportunity to provide our auditing services.

A recent change in auditing standards (SAS 112 – *Communicating Internal Control Related Matters Identified in an Audit*) now requires that we provide a new letter, which we have included, that focuses on the internal controls over financial reporting.

In addition to the letter referenced above, we also reviewed the Department's accounting procedures as of and for the year ended February 28, 2007, and offer the following comments and recommendations:

Budgeting

One area that the Department needs improvement on is in budgeting. Section 18 of the Uniform Budget Act states that expenditures shall not be made in excess of the amount authorized in the budget. During the year, there were several overexpenditures in the budget as listed in the Notes to the Financial Statement. Also, the board must amend the budget as soon as a deviation is apparent. Proceeds from the loan to purchase a fire truck were not reflected in the budget nor was the total expenditure for the purchase of it which was the cause of the some of the overexpenditures. Also, budgeted revenues were not amended to reflect the amount that was actually collected. In the future, we recommend that budgeted revenues and expenditures be amended as soon as the board is aware of deviations.

With the conversion to GASB-34, it is more important than ever that the budget is presented as recommended by the Michigan Department of Treasury Uniform Budget Manual. The minimum requirements for a budget as listed in Section 15 of the Uniform Budget Act are as follows:

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231)-798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

- Ø Actual expenditures and revenues for the current year
- Ø Estimated expenditures and revenues for the current year
- Ø Beginning and ending fund balances for the current year
- Ø Actual expenditures and revenues for the next year
- Ø Estimated expenditures and revenues for the next year
- Ø Beginning and ending fund balances for the next year
- Ø An estimate of the amounts needed for deficiency, contingent or emergency purposes

The budget for the current year did not include beginning or ending fund balances, actual revenues for the current year, or estimates for revenues and expenditures for the next year. In the future, we recommend that the budget include these items.

GASB-34

Capitalization Policy

We noted that the Department did not have a policy regarding the capitalization of fixed assets as required under GASB 34. Such a policy should be in place so that the Department can establish a dollar threshold to determine which assets have a cost and/or useful life such that it should be depreciated. We recommend that the Department adopt such a policy. A sample capitalization policy will be provided to assist in the creation of your policy.

We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Thank you for the courtesy extended to us during our audit.

Respectfully submitted,

Jodi DeKuiper, CPA

Jodi DeKuiper, CPA
Hendon & Slate, PC

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

June 26, 2007

Board of Directors
Walkerville Area Fire & Rescue Department
Walkerville, MI

Dear Board Members:

In planning and performing our audit of the financial statements of Walkerville Area Fire & Rescue Department as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Walkerville Fire & Rescue Department'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 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 that we consider to be significant deficiencies and other deficiencies 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 organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Proper Documentation

A payment was made on an invoice that had been altered by hand before being submitted for reimbursement - an additional \$260 was added to the original amount. Payment should only be made in the amount of the

Grand Rapids
2025 East Beltline SE
Suite 208
Grand Rapids, MI 49546
Phone (616) 954-3995
Fax (616) 954-3990

Muskegon
4985 South Harvey Street
Muskegon, MI 49444
Phone (231) 798-1040
Fax (231) 798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

www.hscompanies.com

original invoice. By paying a different amount, the Department is opening itself up to the possibility of paying for expenditures that are not part of the operations of the Department.

Control Over Payroll

Payroll taxes are due by the 15th of the month following the disbursement of payroll checks. The taxes due on payroll for the current year were all paid late. This resulted in penalties and interest being assessed by the Internal Revenue Service. There were also several notices from the IRS regarding taxes, penalties & interest from prior years. Also, payroll checks and payroll taxes were not included in the monthly general ledger reports. By not ensuring that payroll is administered by an employee that has the proper qualifications and training to be knowledgeable of the payroll process, the Department is susceptible to reporting errors as well as fraud.

Control Over Cash Receipts

Cash receipts are not always being used when cash is received. Pre-numbered receipts should be made for all revenues that are collected by the Department indicating the name of the payer, the amount paid, the purpose of payment, the account number they are being posted to, and the signature of the person receiving the funds. This is to help ensure that all of the revenues collected by the Department were accounted for. We also noticed that the checks that were received appeared to be held for several weeks before being deposited into the bank accounts. By not depositing them when they in a timely manner, they are susceptible to theft.

Control Over Cash Disbursements

The list that the Board is reviewing in order to approve the payment of invoices does not include the check numbers used to make the payment. By including check numbers on the list, the Board will be able to account for all of the checks that have been disbursed and avoid paying for unauthorized expenditures.

Control Over Financial Statement Preparation

Management of Walkerville Area Fire and Rescue Department lacks the training to prepare financial statements in accordance with accounting principles generally accepted in the United States of America.

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 that the following deficiencies constitute material weaknesses:

Proper Documentation

As noted above as a significant deficiency, we believe that allowing payment on altered documentation for expenditures is also a material weakness as it could lead to the Department paying for services/materials that are not proper expenditures of the Department.

Lack of Control Over Payroll

Lack of control over payroll, as identified above as a significant deficiency, is also considered a material weakness as the Department is susceptible to errors in reporting their payroll, both in the financial statements, and in payroll tax reporting to the IRS.

Control Over Cash Receipts

As noted above as a significant deficiency, we believe that the lack of control over the cash receipt process is a material weakness.

Control Over Cash Disbursements

As noted above as a significant deficiency, we believe that the lack of control over cash disbursements is also a material weakness.

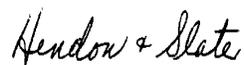
Financial Statement Misstatements

Walkerville Area Fire and Rescue Department's internal controls did not identify material misstatements in the financial statements.

This communication is intended solely for the information and use of management, and the board of director's of Walkerville Fire & Rescue Department and others within the department, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the courtesy extended to us during the audit. We look forward to a continued relationship with Walkerville Area Fire & Rescue Department. If you have any questions regarding the audit report, this letter or any other communications, please do not hesitate to call.

Respectfully submitted,



Hendon & Slate, P.C.
Fremont, MI
June 26, 2007