

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 OTSEGO COUNTY FIRE BOARD		County OTSEGO	
Fiscal Year End JUNE 30, 2007		Opinion Date NOVEMBER 30, 2007		Date Audit Report Submitted to State NOVEMBER 30, 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).

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) KESKINE, COOK, MILLER & ALEXANDER, LLP		Telephone Number (989) 732-7515		
Street Address 100 W. FIRST ST		City GAYLORD	State MI	Zip 49735
Authorizing CPA Signature 		Printed Name JEFFREY B. COOK		License Number 1101011876

OTSEGO COUNTY FIRE BOARD

OTSEGO COUNTY

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2007

**OTSEGO COUNTY FIRE BOARD
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Keskin, Cook, Miller & Alexander, LLP
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INDEPENDENT AUDITOR'S REPORT

November 30, 2007

To the Otsego County Fire Board
Otsego County, Michigan

We have audited the accompanying basic financial statements of the Otsego County Fire Board, Otsego County, Gaylord, Michigan as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Board'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 also 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Otsego County Fire Board, Otsego County, Michigan as of June 30, 2007, and the respective changes in financial position thereof for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The Otsego Fire County Board has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Keskin, Cook, Miller & Alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP

**OTSEGO COUNTY FIRE BOARD
GOVERNMENTAL FUND BALANCE SHEET - STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	Balance Sheet Modified Accrual	Adjustments (Note B)	Statement of Net Assets - Full Accrual
Assets			
Cash (Note D)	\$ 94,778	\$ -	\$ 94,778
Grant Receivable	5,500	-	5,500
Nondepreciable capital assets, net (Note E)	-	38,455	38,455
Depreciable capital assets, net (Note E)	-	1,405,303	1,405,303
Total assets	\$ 100,278	\$ 1,443,758	\$ 1,544,036
Liabilities			
Accrued payroll	38,430	-	38,430
Accounts Payable	4,223	-	4,223
Total liabilities	42,653	-	42,653
Fund Balance - Unreserved and Undesignated	57,625	(57,625)	
Total liabilities and fund balance	\$ 100,278		
Net Assets			
Investment in capital assets		1,443,758	1,443,758
Unrestricted (deficit)		57,625	57,625
Total net assets		\$ 1,501,383	\$ 1,501,383

See Notes to Financial Statements and Accountant's Report.

**OTSEGO COUNTY FIRE BOARD
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	Revenues and Expenditures - Modified Accrual	Adjustments (Note B)	Statement of Activities Full Accrual
Revenue			
Contracts	\$ 302,000	\$ -	\$ 302,000
State Grants	10,771	-	10,771
Training Committee	14,950	-	14,950
Interest & miscellaneous	12,999	-	12,999
Loan Proceeds	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total revenue	390,720	(50,000)	340,720
Expenditures			
Payroll	111,424	-	111,424
Repairs, maintenance and contracted services	8,150	-	8,150
Fuel and oil	4,059	-	4,059
Insurance	31,949	-	31,949
Utilities	10,000	-	10,000
Communications and telephone	4,960	-	4,960
Fire fighting supplies	1,568	-	1,568
Office supplies	669	-	669
Vehicle supplies and expenses	19,165	-	19,165
Service contracts	17,066	-	17,066
Education and training	7,327	-	7,327
Interest Expense	1,173	-	1,173
Loan Payments	50,000	(50,000)	-
Capital Outlay	150,285	(150,285)	-
Depreciation	<u>-</u>	<u>97,948</u>	<u>97,948</u>
Total expenditures	<u>417,795</u>	<u>(102,337)</u>	<u>315,458</u>
Excess of Revenue Over Expenditures	(27,075)	52,337	25,262
Fund Balance/Net Assets - Beginning of year	<u>84,700</u>	<u>-</u>	<u>1,476,121</u>
Fund Balance (Deficit)/Net Assets - End of year	<u>\$ 57,625</u>	<u>\$ 52,337</u>	<u>\$ 1,501,383</u>

See Notes to Financial Statements and Accountant's Report.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Otsego County Fire Board (Fire Board) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Fire Board.

REPORTING ENTITY

The Otsego County Fire Board was organized in 1977 by the Townships of Bagley, Chester, Dover, Elmira, Hayes, Livingston, Otsego Lake and the City of Gaylord, all of Otsego County, Michigan. Elmira and Otsego Lake have since disengaged themselves from the Fire Board. The Fire Board operates under a governing body of 13 members referred to as the Otsego County Fire Board. The individual members have delegated board to the Fire Board for operation of the department and maintenance of assets. The Board appoints a Chairman to preside over Board meetings, a secretary to record activities of the Board and a treasurer to pay bills and maintain cash assets. All activities are included under the Fire Board's control and reports are made periodically to each member.

There is an organization known as the Otsego County Fire Department. These financial statements should not and do not reflect any activity or assets of the Otsego County Fire Department.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Board. The board is accounted for in one governmental fund type.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Revenue – The Fire Board’s primary source of revenue consists of contracts with each of its member units. These contracts are based on the member’s population and S.E.V. Other revenues include billings for fires extinguished on personal property and interest income. The current year includes tax revenue levied for the purchase of fixed equipment.

Budget – An annual budget is prepared by the management and adopted by the Fire Board prior to the beginning of the fiscal year; subsequent amendments are approved by the Fire Board. Unexpended appropriations lapse at year end. The Fire Board may pass amendments to the budget during the fiscal year by resolution. During the current year, the budget was not amended.

The budget has been prepared in accordance with accounting principals generally accepted in the United States of America. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Board did not incur expenditures (\$417,795) that were in excess of the amounts budgeted (\$434,000).

CAPITAL ASSETS

Capital assets, which include property, buildings, equipment, and vehicles are stated at historical cost and comprehensively reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Donated assets are recorded at estimated fair market value at the date of donation.

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

Buildings and building improvements	20 – 50 years
Vehicles and equipment	3 – 30 years

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

NOTE B – CUSTODY OF ASSETS

All assets are under the control of the Fire Board. Per state statute, the Fire Board may not retain title to any assets and must designate one member as custodian. The City of Gaylord has been designated as the custodial member. The City of Gaylord delegates authority to the Fire Board. The City of Gaylord audited financial statements are located at 225 West Main Street, Gaylord, Michigan 49735.

NOTE C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balances and the net change in fund balances of the Fire Board's General Fund differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the statement of the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance.

The following reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets are as shown:

Total Fund Equity – Governmental Fund	\$ 57,625
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Amounts reported for in the statements of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>1,443,758</u>
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Total Net Assets – Full Accrual Basis	<u>\$1,501,383</u>
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Net Change in Fund Balance – Modified Accrual Basis	\$ (27,075)
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Amounts reported from governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay	\$ 150,285	
Depreciation expense	<u>(97,948)</u>	<u>52,337</u>

Change in Net Assets of Governmental Activities – Full Accrual Basis	<u>\$ 25,262</u>
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**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

NOTE D – CASH

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Board has designated one bank for the deposit of its funds. The Fire Board's deposits are in accordance with statutory board.

The Fire Board's cash is comprised of bank deposits that are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$99,540 of which \$99,540 is covered by federal depository insurance.

NOTE E – FIXED ASSETS

The schedule of changes in general fixed assets is as follows:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 38,455	\$ -	\$ -	\$ 38,455
Capital assets being depreciated:				
Buildings and improvements	293,025	-	-	293,025
Vehicles and equipment	<u>1,731,932</u>	<u>150,285</u>	<u>-</u>	<u>1,882,217</u>
Subtotal	2,024,957	150,285	-	2,175,242
Accumulated depreciation:				
Buildings and improvements	140,003	6,692	-	146,695
Vehicles and equipment	<u>531,988</u>	<u>91,256</u>	<u>-</u>	<u>623,244</u>
Subtotal	671,991	97,948	-	769,939
Net capital assets being depreciated	<u>1,352,966</u>	<u>52,337</u>	<u>-</u>	<u>1,405,303</u>
Net capital assets	<u>\$1,391,421</u>	<u>\$ 52,337</u>	<u>\$ -</u>	<u>\$ 1,443,758</u>

NOTE F – CONTRACTS

There is an organization known as the Otsego County Fire Department. These financial statements do not reflect any activity or assets of the Otsego County Fire Department. The Board contracts with the Otsego County Fire Department for firemen.

**OTSEGO COUNTY FIRE BOARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

NOTE G – RISK MANAGEMENT

The Otsego County Fire Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission, injuries to employees, and natural disasters. The Otsego County Fire Board participates in the Michigan Municipal Liability and Property pool, a self-insured group. The pool is considered a public entity risk pool. The Otsego County Fire Board pays annual premiums to the pool for the respective coverage. In the event a pool's total claims and expenses for a policy year exceed the normal annual premiums for said years, all members of the pool's policy may be premiums subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying, depending on the specific type coverage of reinsurance. The Otsego County Fire Board has not been informed of any special assessments. There were no significant claims for the year, nor were there any significant changes in coverage. The Otsego County Fire Board carries commercial insurance for other types of loss.

NOTE H - FUNDING

The board is financed each year by the participating municipalities. This funding represents virtually all of the Board's revenue. Consequently the Board's ability to provide service is dependent upon the continuing support of those entities.

REQUIRED SUPPLEMENTAL INFORMATION

**OTSEGO COUNTY FIRE BOARD
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Contracts	\$ 302,000	\$ 302,000	\$ 302,000	\$ -
State grants	-	-	10,771	10,771
Training Committee	-	-	14,950	14,950
Interest & miscellaneous	-	-	12,999	12,999
Loan Proceeds	-	-	50,000	50,000
	<u>302,000</u>	<u>302,000</u>	<u>390,720</u>	<u>88,720</u>
Total revenue				
Expenditures				
Payroll and related expenses	125,000	125,000	111,424	(13,576)
Repairs, maintenance and contracted services	8,000	8,000	8,150	150
Fuel and oil	4,000	4,000	4,059	59
Insurance	37,000	37,000	31,949	(5,051)
Utilities	12,000	12,000	10,000	(2,000)
Communications and telephone	4,000	4,000	4,960	960
Fire fighting supplies	10,000	10,000	1,568	(8,432)
Office supplies	2,000	2,000	669	(1,331)
Vehicle supplies and expenses	15,000	15,000	19,165	4,165
Service contracts	20,000	20,000	17,066	(2,934)
Loan Payments	-	-	50,000	50,000
Interest Expense	-	-	1,173	1,173
Education and training	3,000	3,000	7,327	4,327
Professional services	2,000	2,000	-	(2,000)
Vehicle Purchase	162,000	162,000	150,285	(11,715)
Contingency	30,000	30,000	-	(30,000)
	<u>434,000</u>	<u>434,000</u>	<u>417,795</u>	<u>(16,205)</u>
Total expenditures				
Excess of Revenue Under Expenditures	(132,000)	(132,000)	(27,075)	104,925
Fund Balance - Beginning of year	<u>84,700</u>	<u>84,700</u>	<u>84,700</u>	<u>-</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ (47,300)</u>	<u>\$ 57,625</u>	<u>\$ 104,925</u>

See Notes to Financial Statements and Accountant's Report.



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Walter J. Keskin, CPA (Ret.)

November 30, 2007

Otsego County Fire Board
P.O. Box 954
Gaylord, MI 49734

We have audited the financial statements of the Otsego County Fire Board for the year ended June 30, 2007, and have issued our report thereon dated November 30, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Otsego County Fire Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Otsego County Fire Board are described in the notes to the financial statements.

We noted no transactions entered into by the Fire Board during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The following attached pages summarize the adjustments that were proposed to management and made to the audited financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fire Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

The Otsego County Fire Board's accounting records were well organized and we are happy to report that there were no difficulties in performing the audit.

Comments and Recommendations

In planning and performing our audit of the financial statements of the Otsego County Fire Board, we noted no items requiring comment.

This information is intended solely for the information of the Otsego County Fire Board's Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Keskine, Cook, Miller & Alexander, LLP