

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 Lawton Fire Board	County Van Buren
Fiscal Year End 02/28/07	Opinion Date July 25, 2007	Date Audit Report Submitted to State August 9, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

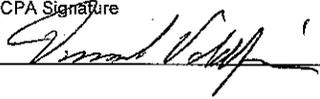
YES NO

Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary
Other (Describe)	<input type="checkbox"/>	Not considered necessary
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.	Telephone Number (269) 381-4970	
Street Address 246 E Kilgore	City Kalamazoo	State MI
		Zip 49002
Authorizing CPA Signature 	Printed Name Daniel L. Veldhuizen	License Number 1101020724

Lawton Fire Department
Van Buren County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended February 28, 2007

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet	6
Statement of revenues, expenditures, and change in fund balance	7
Notes to financial statements	8 - 11
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedule	12 - 13

INDEPENDENT AUDITORS' REPORT

Members of the Board
Lawton Fire Department

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lawton Fire Department (the Department), as of February 28, 2007, and for the year then ended, which collectively comprise the Department's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Lawton Fire Department, as of February 28, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

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

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

Siegfried Crandall P.C.

July 25, 2007

BASIC FINANCIAL STATEMENTS

Lawton Fire Department
STATEMENT OF NET ASSETS
February 28, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 180,786
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>899,442</u>
Total assets	<u>1,080,228</u>
NET ASSETS	
Invested in capital assets	899,442
Unrestricted	<u>180,786</u>
Total net assets	<u>\$ 1,080,228</u>

See notes to financial statements

Lawton Fire Department
STATEMENT OF ACTIVITIES
Year ended February 28, 2007

	<u>Expenses</u>	<u>Program revenues</u> <u>Operating grants and contributions</u>	<u>Net (expenses) revenues and changes in net assets</u> <u>Governmental activities</u>
Functions/Programs			
Governmental activities:			
Public safety	\$ 188,232	\$ 127,284	\$ (60,948)
General revenues:			
Interest income			6,494
Other			<u>112</u>
Total general revenues			<u>6,606</u>
Change in net assets			(54,342)
Net assets - beginning			<u>1,134,570</u>
Net assets - ending			<u>\$ 1,080,228</u>

See notes to financial statements

Lawton Fire Department
BALANCE SHEET
February 28, 2007

ASSETS

Cash \$ 180,786

FUND BALANCE

Unreserved \$ 180,786

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

899,442

Net assets of *governmental activities* \$ 1,080,228

See notes to financial statements

Lawton Fire Department
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
Year ended February 28, 2007

REVENUES

Local contributions	\$ 123,800
Charges for services	3,484
Interest	6,494
Other	<u>112</u>
Total revenues	<u>133,890</u>

EXPENDITURES

Public safety	63,013
Capital outlay	<u>31,297</u>
Total expenditures	<u>94,310</u>

NET CHANGE IN FUND BALANCE 39,580

FUND BALANCE - BEGINNING 141,206

FUND BALANCE - ENDING \$ 180,786

Net change in fund balance \$ 39,580

Amounts reported in the statement of activities (page 5) are different because:

Capital assets:

Assets acquired	20,420
Provision for depreciation	<u>(114,342)</u>

Change in net assets \$ (54,342)

See notes to financial statements

Lawton Fire Department
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Fire Department. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no component units or entities for which the Department is considered to be financially accountable.

The Department is a joint venture of the Townships of Antwerp and Porter. Costs of operations and capital expenditures are supported by contributions from the Townships that take into account their respective SEV, population, and number of fire calls.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Department.

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

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues 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 if they are collected within the current period or soon enough thereafter to pay liabilities of the current 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.

Lawton Fire Department
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):
Intergovernmental contributions, federal 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 only when cash is received by the Department.

The Department reports the following major governmental fund:

The General Fund is the Department's primary operating fund. It accounts for all financial resources of the Department, except those required to be accounted for in another fund. Revenues are primarily derived from contributions from local units.

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 Department (GASB). The Department has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

ii) Capital assets - Capital assets, which include property, vehicles, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial individual cost of more than \$1,000 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.

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

Buildings and improvements	15 - 50 years
Vehicles	5 - 20 years
Equipment	3 - 10 years

iii) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Lawton Fire Department
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Department experienced no significant budget variances during the fiscal year.

NOTE 3 - CASH:

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

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Department will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of February 28, 2007, \$30,738 of the Department's bank balances of \$184,884 was exposed to custodial credit risk because it was uninsured.

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

Lawton Fire Department
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended February 28, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 412,052	\$ -	\$ -	\$ 412,052
Vehicles	794,099	20,420	-	814,519
Equipment	<u>275,080</u>	<u>-</u>	<u>-</u>	<u>275,080</u>
Subtotal	<u>1,481,231</u>	<u>20,420</u>	<u>-</u>	<u>1,501,651</u>
Less accumulated depreciation for:				
Buildings and improvements	(74,236)	(10,267)	-	(84,503)
Vehicles	(262,364)	(46,790)	-	(309,154)
Equipment	<u>(151,267)</u>	<u>(57,285)</u>	<u>-</u>	<u>(208,552)</u>
Subtotal	<u>(487,867)</u>	<u>(114,342)</u>	<u>-</u>	<u>(602,209)</u>
Governmental activities capital assets, net	<u>\$ 993,364</u>	<u>\$ (93,922)</u>	<u>\$ -</u>	<u>\$ 899,442</u>

NOTE 5 - RISK MANAGEMENT:

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

REQUIRED SUPPLEMENTARY INFORMATION

Lawton Fire Department
BUDGETARY COMPARISON SCHEDULE
Year ended February 28, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Local unit contributions:				
Township of Antwerp	68,813	68,813	68,813	-
Township of Porter	54,987	54,987	54,987	-
Charges for services	4,500	4,500	3,484	(1,016)
Interest	3,100	3,100	6,494	3,394
Other	100	100	112	12
	<u>131,500</u>	<u>131,500</u>	<u>133,890</u>	<u>2,390</u>
EXPENDITURES				
Public safety:				
Salaries and wages	5,150	5,150	4,756	394
Administration	3,900	3,900	3,900	-
Payroll taxes	395	395	945	(550)
Employee insurance	3,450	3,450	3,704	(254)
Office supplies	649	649	355	294
Uniforms	600	600	-	600
Operating supplies	9,500	9,500	12,766	(3,266)
Repairs and maintenance	18,800	18,800	8,032	10,768
Contracted services	2,550	2,550	1,400	1,150
Insurance	10,430	10,430	10,124	306
Public relations	6,000	6,000	4,716	1,284
Education and training	3,500	3,500	1,955	1,545
Fuel	2,800	2,800	1,652	1,148
Dues	225	225	75	150
Telephone	700	700	681	19
Utilities	7,400	7,400	6,795	605
Mileage	250	250	579	(329)
Miscellaneous	2,001	2,001	578	1,423
	<u>78,300</u>	<u>78,300</u>	<u>63,013</u>	<u>15,287</u>
Capital outlay	<u>48,700</u>	<u>48,700</u>	<u>31,297</u>	<u>17,403</u>
	<u>127,000</u>	<u>127,000</u>	<u>94,310</u>	<u>32,690</u>

Lawton Fire Department Board of Commissioners
BUDGETARY COMPARISON SCHEDULE (Continued)
 Year ended February 28, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
NET CHANGE IN FUND BALANCE	\$ 4,500	\$ 4,500	\$ 39,580	\$ 35,080
FUND BALANCE - BEGINNING	<u>141,206</u>	<u>141,206</u>	<u>141,206</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 145,706</u>	<u>\$ 145,706</u>	<u>\$ 180,786</u>	<u>\$ 35,080</u>