

**MID MICHIGAN COMMUNITY  
FIRE BOARD DISTRICT**

St. Louis, Michigan

**FINANCIAL STATEMENTS**

June 30, 2023

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

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## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Mid Michigan Community Fire Board District

### Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Mid Michigan Community Fire Board District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fire's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Mid Michigan Community Fire Board District as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of our Financial Statements section of our report. We are required to be independent of Mid Michigan Community Fire Board District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in aggregate, that raise substantial doubt about Mid Michigan Community Fire Board District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

Members of the Board  
Mid Michigan Community Fire Board District

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mid Michigan Community Fire Board District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mid Michigan Community Fire Board District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 6) and budgetary comparison information (page 20) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Berthiaume & Co.*

Saginaw, Michigan  
October 31, 2023

***MANAGEMENT'S DISCUSSION and ANALYSIS***

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

As management of Mid Michigan Community Fire Board District (the "Fire Board District"), we offer readers of the Fire Board District's financial statements this narrative overview and analysis of the financial activities of the Fire Board District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

### Using this Report:

This annual report consists of three parts (1) management's discussion and analysis (this section), (2) the basic financial statements, and (3) required supplementary information. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The basic financial statements include information that presents two different views of the Fire Board District.

- The first column of the financial statements includes information on the Fire Board District's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Fire Board District's sources and uses of funds.
- The adjustments column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method of accounting.
- The third column presents the Fire Board District's operations on a full accrual basis, which provides both long- and short-term information about the Fire Board District's overall financial status. The statement of net position and the statement of activities provide information about the activities of the Fire Board District as a whole and present a longer-term view of the Fire Board District's finances.

The following table shows comparisons of total assets, total liabilities, and total net position in a condensed format for the government-wide net position as of June 30, 2023 and June 30, 2022.

	<u>2023</u>	<u>2022</u>
<b>Assets:</b>		
Current and other assets	\$ 859,797	\$ 637,629
Capital assets, net	<u>1,601,091</u>	<u>1,600,628</u>
Total assets	<u>2,460,888</u>	<u>2,238,257</u>
<b>Liabilities:</b>		
Current liabilities	<u>234,832</u>	<u>29,711</u>
<b>Net Position:</b>		
Investment in capital assets	1,601,091	1,600,628
Unrestricted	<u>624,965</u>	<u>607,918</u>
Total net position	<u>\$ 2,226,056</u>	<u>\$ 2,208,546</u>

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

The following table shows the comparison of the change in net position in a condensed format for the government-wide statement of activities for the years ended June 30, 2023 and June 30, 2022.

	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>		
Program revenues		
Operating contributions	\$ 342,698	\$ 358,755
Capital contributions	40,121	127,368
General revenues		
Investment earnings	17,483	860
Other	<u>1,001</u>	<u>2,857</u>
Total revenues	<u>401,303</u>	<u>489,840</u>
<b>Expenses:</b>		
Public safety	268,123	293,500
Depreciation	<u>115,670</u>	<u>97,133</u>
Total expenses	<u>383,793</u>	<u>390,633</u>
Excess (deficiency) of revenues over expenses before other items	17,510	99,207
<b>Other item:</b>		
Sale of capital assets	<u>-</u>	<u>5,927</u>
<b>Change in net position</b>	17,510	105,134
Net position, beginning of year	<u>2,208,546</u>	<u>2,103,412</u>
Net position, end of year	<u>\$ 2,226,056</u>	<u>\$ 2,208,546</u>

### THE FIRE BOARD DISTRICT AS A WHOLE:

- The Fire Board District reports net position of \$2,226,056 for the fiscal year ended June 30, 2023 on a full accrual basis, as compared to a fund balance of \$624,965 on the modified accrual basis of accounting.
- The Fire Board District's primary source of revenue is from operating contributions from participating units. For fiscal year 2023, operating contributions from participating units were \$339,054. This represents 84 percent of total revenue.
- The Fire Board District's conversion to meet GASB Statement No. 34 standards, which includes capitalization of Fire Board District-owned assets and associated depreciation expense, is reflected in the statement of net position and statement of activities on pages 8 and 9 of this report.

# **MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2023

### **THE FIRE BOARD DISTRICT'S FUND:**

Presentation of the Fire Board District's General Fund is included on pages 8 and 9 in the first column of the respective statements. The fund column provides detailed information about the General Fund on a modified accrual method, which is a short-term perspective measuring the flow of financial resources, not the Fire Board District's operations on a full accrual basis of accounting, which provides a longer-term measurement of total economic resources. The Fire Board District's only fund is the General Fund. Fund balance increased by \$17,047 for the year.

### **Fire Board District Budgetary Highlights:**

The Fire Board District's budget, as originally adopted, projected a decrease in fund balance of \$254,406. During the year, the Fire Board District made budget amendments, which changed the projection to an increase in fund balance of \$224,205. The actual results for the fiscal year yielded an increase in fund balance of \$17,047. The Fire Board policy is to, each year, budget an amount to be set aside for future equipment replacement when calculating the member contributions. Additionally, any net fund balance more than the established minimum unassigned fund balance is set aside for equipment replacement. In accordance with this policy, \$65,000 of the budgeted revenues was set aside as fund balance committed for equipment replacement for the year. During the year, \$116,133 of the set aside was used to acquire capital assets.

### **Capital Assets and Debt Administration:**

At June 30, 2023, the Fire Board District had \$1,601,091 invested in capital assets including land, buildings and improvements, equipment and vehicles, net of accumulated depreciation. At June 30, 2022, this total was \$1,600,628. Additional information about the Fire Board District's capital assets is presented in Note 1 and Note 5 of the Notes to the Financial Statements.

At June 30, 2023, the Fire Board District had no long-term debt.

### **Economic Factors and Next Year's Budget:**

The Fire Board District has adopted a budget for fiscal year 2023-2024, with revenues of \$369,590 and expenditures of \$304,603. The budget projects a \$65,000 increase in the portion that will be committed for future fire equipment purchases.

### **Contacting the Fire Board District's Management:**

This financial report is intended to provide our member units and citizens with a general overview of the Fire Board District's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, contact the City of St. Louis administrative office at 300 N. Mill Street, St. Louis, MI 48880.



***BASIC FINANCIAL STATEMENTS***

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

## GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION

June 30, 2023

	<i>Governmental Fund</i>	<i>Adjustments (Note 7)</i>	<i>Statement of Net Position</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 310,558	\$ -	\$ 310,558
Accounts receivable	1,320	-	1,320
Prepaid expenditures/expenses	2,834	-	2,834
Restricted cash and cash equivalents	123,120	-	123,120
Restricted investments	421,965	-	421,965
Capital assets not being depreciated	-	194,561	194,561
Capital assets being depreciated, net	-	1,406,530	1,406,530
	<u>\$ 859,797</u>	<u>\$ 1,601,091</u>	<u>\$ 2,460,888</u>
 <b>Liabilities and Fund Balance:</b>			
<i>Liabilities:</i>			
Accounts payable	\$ 12,629	-	12,629
Accrued expenses	13,675	-	13,675
Unearned revenue	208,528	-	208,528
	<u>234,832</u>	<u>-</u>	<u>234,832</u>
 <i>Fund Balance:</i>			
Nonspendable:			
Prepaid expenditures	2,834	(2,834)	-
Committed for:			
Fire equipment	334,205	(334,205)	-
Assigned to:			
Training programs	10,880	(10,880)	-
Unassigned	277,046	(277,046)	-
	<u>624,965</u>	<u>(624,965)</u>	<u>-</u>
Total fund balance	<u>624,965</u>	<u>(624,965)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 859,797</u>		
 <b>Net Position:</b>			
Investment in capital assets		1,601,091	1,601,091
Unrestricted		<u>624,965</u>	<u>624,965</u>
Total net position		<u>\$ 2,226,056</u>	<u>\$ 2,226,056</u>

*The accompanying notes are an integral part of these financial statements.*

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

## STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	<u>Governmental</u> <u>Fund</u>	<u>Adjustments</u> <u>(Note 7)</u>	<u>Statement of</u> <u>Activities</u>
<b>Revenues:</b>			
Contributions from participating units	\$ 339,054	\$ -	\$ 339,054
Interest	17,483	-	17,483
Private/foundation grants	43,765	-	43,765
Other revenue	<u>1,001</u>	<u>-</u>	<u>1,001</u>
Total revenues	<u>401,303</u>	<u>-</u>	<u>401,303</u>
<b>Expenditures/Expenses:</b>			
Operations	268,123	-	268,123
Depreciation	-	115,670	115,670
Capital outlay	<u>116,133</u>	<u>(116,133)</u>	<u>-</u>
Total expenditures/expenses	<u>384,256</u>	<u>(463)</u>	<u>383,793</u>
Change in fund balance/net position	17,047	463	17,510
Fund balance/Net position, beginning of year	<u>607,918</u>	<u>1,600,628</u>	<u>2,208,546</u>
Fund balance/Net position, end of year	<u>\$ 624,965</u>	<u>\$ 1,601,091</u>	<u>\$ 2,226,056</u>

*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Mid Michigan Community Fire Board District (the “Fire Board District”) 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:

#### **Reporting Entity:**

The Mid Michigan Community Fire Board District was established April 1, 1981, for the purpose of providing fire protection to its local government members: City of St. Louis, and Townships of Bethany, Pine River, and Jasper. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Fire Board District. The Fire Board District is required to consider other organizations for which the nature and significance of their relationship with it are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. There are no component units included in the Fire Board District’s reporting entity. Additionally, the Fire Board District is not a component unit of any other reporting entity.

#### **Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information of all activities of the Fire Board District. Mid Michigan Community Fire Board District is accounted for in one governmental type fund. As permitted by GASB Statement No. 34, the Fire Board District uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Position/Governmental Fund Balance Sheet and the Statement of Activities/Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances. The Fire Board District’s major fund, the General Fund, is reported in a separate column in the aforementioned financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The Fire Board District’s General Fund is budgeted and accounted for 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 Fire Board District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Service contract revenue, if any, meets the availability criterion and is accrued as of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

In addition to presenting information for the General Fund on the modified accrual basis (as budgeted), the financial statements present information for the Fire Board District 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.

#### **Assets, Liabilities and Net Position/Fund Balance:**

**Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are reported at fair value.

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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**Receivables** – All receivables, if any, are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial at year end.

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

**Capital Assets** – Purchased capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Fire Board District defines capital assets as assets with an initial individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Also, a repair or replacement costing in excess of \$7,500 and which extends the useful life of an asset by more than 10 years, shall meet the capitalization requirement. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are depreciated using the straight-line method over the following useful lives:

Building	40 years
Equipment	3-20 years
Vehicles	7 years

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations, if any, are reported as liabilities in the statement of net position. In the fund financial statements, these items are recorded as expenditures when paid. The Fire Board District currently reports no long-term obligations.

**Unearned Revenue** – Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned.

**Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting.

**Net Position Flow Assumptions** – Sometimes the Fire Board District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Fire Board District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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***Fund Balance Flow Assumptions*** – Sometimes the Fire Board District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Fire Board District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance*** – Fund balance is essentially the difference between assets and liabilities reported in the governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Fire Board District is bound to honor constraints on the specific purpose for which amounts can be spent:

1. Nonspendable fund balance (inherently nonspendable)
2. Restricted fund balance (externally enforceable limitations on use)
3. Committed fund balance (self-imposed limitations on use)
4. Assigned fund balance (limitation resulting from intended use)
5. Unassigned fund balance (the residual classification of general operations)

***Nonspendable and Restricted Funds*** – Nonspendable funds are those funds that cannot be spent because they are either: 1) not in spendable form (e.g. inventories and prepaids); 2) Legally or contractually required to be maintained intact (e.g. permanent corpus). Restricted funds are those funds that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates). Nonspendable and Restricted Funds will be maintained and summarized in the Fire Board District's annual financial report.

***Committed Funds*** – The Mid-Michigan Community Fire Control Board, as the Fire Board District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken, such as majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of action taken to establish the commitment. Board action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30<sup>th</sup>; however, the specific amount committed can be determined in a subsequent period. Annually in the budget an amount will be specified for transfer to an Equipment Commitment. Additionally, at June 30<sup>th</sup>, funds over the amount of the minimum established Unassigned Fund Balance will be committed for Equipment.

***Assigned Funds*** – Amounts that are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. This policy hereby delegates the authority to assign amounts to be used for specific purposes to the Board Treasurer for the purpose of reporting these amounts in the annual financial statements.

***Minimum Unassigned Fund Balance*** – The Board is committed to maintain a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. A minimum level of the greater of \$200,000 or 75% of the next operating budget is expected to be maintained barring unusual or deliberate circumstances.

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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#### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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### NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### Budgetary Information:

The budget shall be prepared on a basis consistent with the modified accrual basis of accounting which is used to reflect actual results. The General Fund is under formal budgetary control. Unexpended appropriations lapse at year end.

#### Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Fire Board District incurred expenditures in excess of the amounts budgeted as follows:

	<i><u>Final</u></i> <i><u>Budget</u></i>		<i><u>Actual</u></i>		<i><u>Actual Over</u></i> <i><u>Final Budget</u></i>
<b>General Fund:</b>					
Public Safety	\$ 244,861	\$	268,123	\$	23,262

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### NOTE 3: DEPOSITS AND INVESTMENTS

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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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Fire Board District's deposits may not be returned. The Fire Board District does not have a deposit policy for custodial credit risk. At year-end, the Fire Board District had \$479,036 of bank deposits, of which \$354,707 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

**Interest Rate Risk – Investments** – Interest rate risk is the risk that the value of fixed income investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Fire Board District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, the average maturities of fixed income security investments are as follows:



# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 3: DEPOSITS AND INVESTMENTS, CONTINUED

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1 Year</u>
Investment Pool - Michigan CLASS	\$ 421,965	\$ 421,965

**Credit Risk – Investments** – State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The Fire Board District’s investment policy does not have specific limits in excess of state law on investment credit risk. At year end, the credit quality ratings of fixed income securities are as follow:

<u>Investment Type</u>	<u>Market Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Investment Pool - Michigan CLASS	\$ 421,965	AAAm	S&P

**Custodial Credit Risk – Investments** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fire Board District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Fire Board District does not have a policy for investment custodial credit risk. At year end, none of the Fire Board District’s investments were subject to custodial credit risk due to one of the following:

- Investments were part of an insured pool
- Investments were book-entry only in the name of the Fire Board District and were fully insured
- Investments were part of a mutual fund
- Investments were held by an agent in the Fire Board District’s name

**Fair Value Measurements** – The Fire Board District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Investments in Entities that Calculate Net Asset Value per Share.** The Fire Board District holds shares in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the Fire Board District’s investment in Michigan CLASS was \$421,965. The investment pool has no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates or return, and is designed to meet the needs of Michigan public sector investments. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE 4: MEMBER CONTRIBUTIONS

The Fire Board District's annual budget is financed, primarily, by contributions from the four (4) participating municipalities/members. The calculation for the allocation of the annual budget, to each of the members, is based on two factors – the number of fire runs and the number of rescue runs. The contributions for fire runs is based on the proportion of each member's number of fire runs compared to the total fire runs for all entities during the four previous fiscal years. The rescue runs contribution is based on the number of rescue runs made for each member for the previous fiscal year multiplied by a rate established by the Fire Board.

The amount of contributions by each member for the fiscal year ended June 30, 2023, follows:

	<u>Contributions for Fire Runs</u>		<u>Contributions for</u>	<u>Total</u>
	<u>Percentage</u>	<u>Amount</u>	<u>Rescue Runs</u>	<u>Contributions</u>
City of St. Louis	29.91%	\$ 76,323	\$ 49,733	\$ 126,057
Bethany Township	18.73%	47,795	11,657	59,452
Jasper Township	23.87%	60,911	13,037	73,948
Pine River Township	<u>27.49%</u>	<u>70,148</u>	<u>9,450</u>	<u>79,598</u>
Total	<u>100.00%</u>	<u>\$ 255,177</u>	<u>\$ 83,877</u>	<u>\$ 339,054</u>

### NOTE 5: CAPITAL ASSETS

Capital assets activity of the Fire Board District's governmental activities for the year ended June 30, 2023 was as follows:

	<u>July 1,</u>			<u>June 30,</u>
	<u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023</u>
Capital assets not being depreciated:				
Land	\$ 88,784	\$ -	\$ -	\$ 88,784
Rescue acquisition in progress	-	105,777	-	105,777
Total capital assets not being depreciated	88,784	105,777	-	194,561
Capital assets being depreciated:				
Buildings and improvements	1,179,227	-	-	1,179,227
Equipment	442,518	10,356	(15,032)	437,842
Vehicles	873,841	-	-	873,841
Total capital assets being depreciated	2,495,586	10,356	(15,032)	2,490,910
Less accumulated depreciation for:				
Buildings and improvements	(189,169)	(29,481)	-	(218,650)
Equipment	(188,133)	(45,129)	15,032	(218,230)
Vehicles	(606,440)	(41,060)	-	(647,500)
Total accumulated depreciation	(983,742)	(115,670)	15,032	(1,084,380)
Capital assets being depreciated, net	1,511,844	(105,314)	-	1,406,530
Governmental activities, capital assets, net	<u>\$ 1,600,628</u>	<u>\$ 463</u>	<u>\$ -</u>	<u>\$ 1,601,091</u>

Depreciation, charged to public safety expense, for the year ended June 30, 2023 was \$115,670.

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE 6: RISK MANAGEMENT

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The Fire Board District is exposed to various risks of loss related to property loss, torts, theft, damage and destruction of property, errors and omissions, employee injuries (workers compensation) and natural disasters. The Fire Board District manages these risks by obtaining commercial insurance coverage for these types of claims. There have been no settlements that exceeded insurance coverage in the past three fiscal years.

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### NOTE 7: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Following is the explanation of differences between the fund (modified accrual) balance sheet and the government-wide statement of net position.

<b>Fund balance of governmental fund</b>	\$ 624,965
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Net position reported for governmental activities in the statement of net position is different because:

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

Capital assets not being depreciated	194,561
Capital assets being depreciated, net	<u>1,406,530</u>
<b>Net position of governmental activities</b>	<u><u>\$ 2,226,056</u></u>

Following is the explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

<b>Change in fund balance of governmental fund</b>	\$ 17,047
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Change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Purchases/Construction of capital assets	116,133
Depreciation expense	<u>(115,670)</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 17,510</u></u>

# **MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT**

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## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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### **NOTE 8: MERS 457 PROGRAM**

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Effective November 2021, the Fire Board District agreed to adopt and administer the MERS 457 Deferred Compensation Program provided by the Municipal Employees' Retirement System of Michigan. The Program is made available by authority of Section 457 of the Internal Revenue Code (IRC). All employees are eligible to participate in the Program. Participants are allowed to contribute on a voluntary basis to the Program through payroll deductions. The Fire Board District has placed all assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the Fire Board District's financial statements.

***REQUIRED SUPPLEMENTARY INFORMATION***

# MID MICHIGAN COMMUNITY FIRE BOARD DISTRICT

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variances with Final Budget Favorable (Unfavorable)</i>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>Revenues:</b>				
Contributions from participating units	\$ 339,054	\$ 339,054	\$ 339,054	\$ -
Federal grants	50,000	-	-	-
Interest	400	17,645	17,483	(162)
Private/foundation grants	35,494	227,500	43,765	(183,735)
Other revenue	1,000	1,000	1,001	1
Total revenues	<u>425,948</u>	<u>585,199</u>	<u>401,303</u>	<u>(183,896)</u>
<b>Expenditures:</b>				
Public safety	275,454	244,861	268,123	(23,262)
Capital outlay	404,900	116,133	116,133	-
Total expenditures	<u>680,354</u>	<u>360,994</u>	<u>384,256</u>	<u>(23,262)</u>
Change in fund balance	(254,406)	224,205	17,047	(207,158)
Fund balance, beginning of year	<u>607,918</u>	<u>607,918</u>	<u>607,918</u>	<u>-</u>
Fund balance, end of year	<u>\$ 353,512</u>	<u>\$ 832,123</u>	<u>\$ 624,965</u>	<u>\$ (207,158)</u>