

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY  
PRESQUE ISLE COUNTY, MICHIGAN**

**FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2015**



**JOHNSON & SCHULZE PC  
CERTIFIED PUBLIC ACCOUNTANTS  
989-354-8707**

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**  
Presque Isle County, Michigan  
**FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015  
**TABLE OF CONTENTS**

---

	<u>Page</u>
AUDITING PROCEDURES REPORT	1
INDEPENDENT AUDITORS' REPORT	2 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 7
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances to the Statement of Activities	13
Notes to Financial Statements	14 - 20
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
Schedule of Revenues, Expenditures, and Changes In Fund Balance - Budget and Actual	21

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.10)

Unit Name* <b>ROGERS CITY AREA FIRE DEPARTMENT</b>	County* <b>PRESQUE ISLE</b>	Type* <b>AUTHORITY</b>	MuniCode* <b>71-7-508</b>
Opinion Date-Use Calendar* <b>May 31, 2016</b>	Audit Submitted-Use Calendar* <b>Jun 29, 2016</b>	Fiscal Year End Month* <b>12</b>	Fiscal Year <b>2015</b>

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

1. Are all required component units/funds/agencies of the local unit included in the financial statements and disclosed in the reporting entity notes to the financial statements when applicable?
2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets (not government-wide statements)?
3. Were the local unit's actual expenditures within the amounts authorized in the budget?
4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
5. Did the local unit adopt a budget for all required funds?
6. Was a public hearing on the budget held in accordance with State statute?
7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
12. Is the local unit free of repeated reported deficiencies from previous years?
13. Is the audit opinion unqualified?      14. If not, what type of opinion is it?
15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
18. Are there reported deficiencies?       19. If so, was it attached to the audit report?

General Fund Revenue: <input type="checkbox"/>	\$ 244,441.00
General Fund Expenditure: <input type="checkbox"/>	\$ 151,928.00
Major Fund Deficit Amount: <input type="checkbox"/>	\$ 0.00

General Fund Balance: <input type="checkbox"/>	\$ 457,290.00
Governmental Activities Long-Term Debt (see instructions): <input type="checkbox"/>	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* <b>KRISTY</b>	Last Name* <b>SCHULZE</b>	Ten Digit License Number* <b>1101025896</b>		
CPA Street Address* <b>120 N RIPLEY</b>	City* <b>ALPENA</b>	State* <b>MI</b>	Zip Code* <b>49707</b>	Telephone* <b>+1 (989) 354-8707</b>
CPA Firm Name* <b>JOHNSON &amp; SCHULZE PC</b>	Unit's Street Address* <b>120 N RIPLEY</b>	Unit's City* <b>ALPENA</b>	Unit's Zip* <b>49707</b>	

# Johnson & Schulze PC

Certified Public Accountants

120 N. Ripley Street  
P.O. Box 901  
Alpena, MI 49707



989-354-8707  
FAX 989-354-8708

## INDEPENDENT AUDITORS' REPORT

To the Board Members of  
Rogers City Area Fire Department Authority  
Presque Isle County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Rogers City Area Fire Department Authority, Presque Isle County, Michigan** (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility 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.

### **Auditors' Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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 Rogers City Area Fire Department Authority, Presque Isle County, Michigan as of December 31, 2015, 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's

discussion and analysis and budgetary comparison information on pages 4 - 7 and 21 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.

*Johnson & Schulze PC*

Johnson & Schulze PC

Alpena, Michigan

May 31, 2016

The following discussion and analysis of the financial performance for the Rogers City Area Fire Department Authority (the "Authority") provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the Authority's financial statements.

**General Information**

The Rogers City Area Fire Department Authority was established as a municipal authority to operate and administer fire protection services within the City of Rogers City and the Townships of Belknap, Rogers, Bismarck, and Moltke.

The Authority is governed by a Board of Directors comprised of members representing each municipality.

**Financial Highlights**

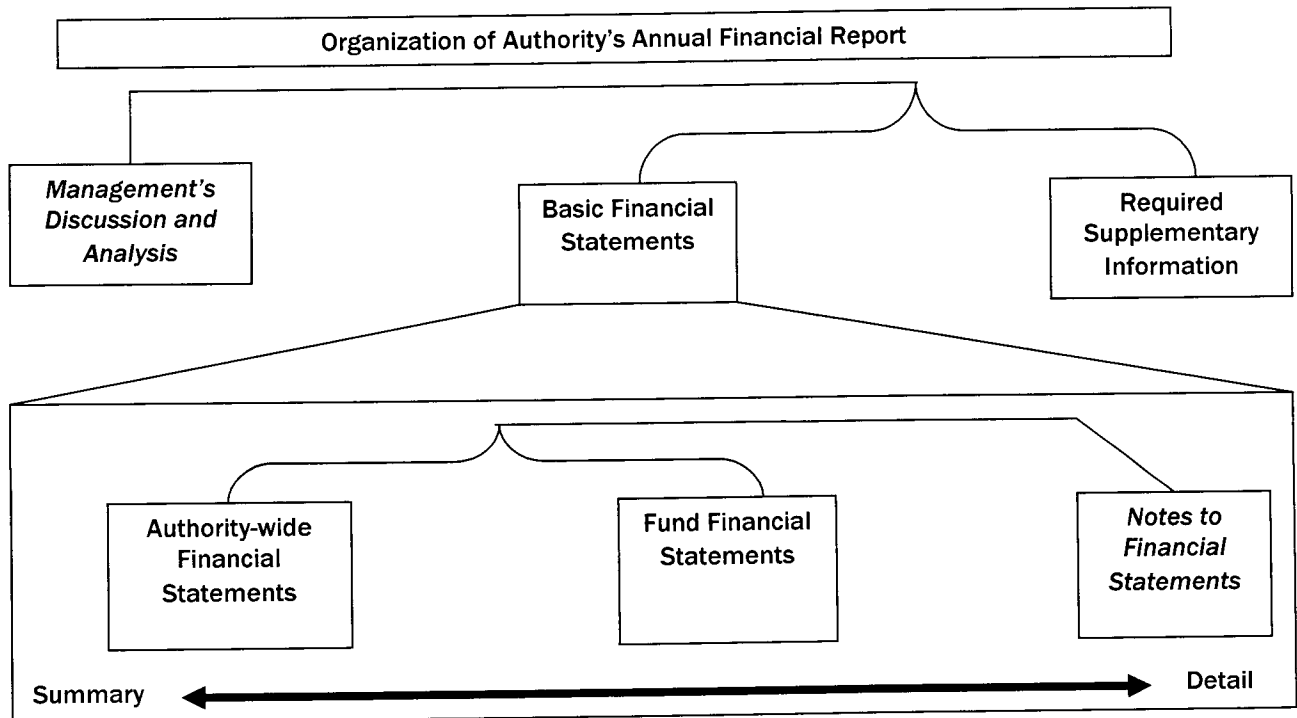
The following represents the most significant financial highlights for the year ended December 31, 2015:

- The Authority was authorized by public vote on August 7, 2013 to levy up to 1 mill for a period of five years. This levy generated \$195,068 in property tax revenue in the fiscal year ended December 31, 2015.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,195,433 (*net position*). Of this amount, \$457,290 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Authority's governmental fund reported a fund balance of \$457,290, an increase of \$93,219 in comparison with the prior year. Of this amount, \$55,659 is available for spending at the Authority's discretion (*unassigned fund balance*), \$30,000 is committed for capital reserve, \$7,800 is assigned for future separated employees and \$363,831 is committed for hall construction.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Rogers City Area Fire Department Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The following chart illustrates how the various parts of this annual report are arranged and related to one another.



**Overview of the Financial Statements (continued)**

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business, and therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Authority's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
- Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Authority include public safety. The Authority does not present any business-type activities.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Rogers City Area Fire Department Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Authority's operations in more detail than the government-wide financial statements. These statements present a shorter-term view and tell how taxpayer resources were spent during the year.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending. Such information may be useful in evaluation of a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority adopts an annual appropriated budget for its fund activity. A budgetary comparison schedule has been provided for the Authority's fund activity.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 - 20 of this report.

**Required Supplemental Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplemental information* concerning the Authority's budgets. Comparison statements are provided to show budget to actual information and related variances. A required supplemental information statement can be found on page 21 of this report.

**Financial Analysis of the Authority as a Whole**

The increase in the Authority's net position is due to two primary factors:

1. Actual revenue for the fiscal year ended December 31, 2015 totaled \$245,147, which included \$43,685 of capital grants.
2. Actual expenses totaled \$221,098, which included \$112,214 of depreciation expense.

The following tables show, in a condensed format, the net position of the Rogers City Area Fire Department Authority as of December 31, 2015.

**TABLE 1 - Rogers City Area Fire Department Authority's Net Position**

	2015	2014
<b>Assets</b>		
Current assets	\$ 470,610	\$ 377,193
Non-current capital assets	738,143	807,313
<b>Total Assets</b>	<b>\$ 1,208,753</b>	<b>\$ 1,184,506</b>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Current liabilities	\$ 13,320	\$ 13,122
Non-current liabilities	0	0
<b>Total Liabilities</b>	<b>13,320</b>	<b>13,122</b>
<b>Net Position</b>		
Invested in capital assets - net of related debt	738,143	807,313
Unrestricted	457,290	364,071
<b>Total Net Position</b>	<b>1,195,433</b>	<b>1,171,384</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,208,753</b>	<b>\$ 1,184,506</b>

**TABLE 2 - Changes in Rogers City Area Fire Department Authority's Net Position**

	2015	2014
<b>General Revenue</b>		
Property taxes	\$ 195,068	\$ 195,685
Interest	706	765
Charges for Runs	4,625	2,450
Grants	43,685	1,000
Other	1,063	21
<b>Total Revenue</b>	<b>245,147</b>	<b>199,921</b>
<b>Program Expenses</b>	<b>221,098</b>	<b>213,419</b>
<b>Change in Net Position</b>	<b>\$ 24,049</b>	<b>\$ (13,498)</b>

**Financial Analysis and Highlights of the Authority's Fund**

At the end of the fiscal year, the Authority is able to report a positive balance in net position. The first portion of the Authority's net position is the investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets in providing fire protection services; consequently, these assets are not available for future spending.



**Budgetary Highlights**

The Authority has approved a budget for the fiscal year; the budget was amended during the fiscal year to account for operational differences from expectations. Please see the budget versus actual comparison.

**Capital Asset**

At the end of fiscal year December 31, 2015, the Authority had \$738,143 (net of depreciation) invested in rescue, medical, and office equipment.

**Economic Factors**

The Rogers City Area Fire Department Authority is a small local fire authority that relies primarily on tax levy appropriations from participating local units of government for its support. The participating units include the City of Rogers City and the Townships of Belknap, Rogers, Bismarck, and Moltke.

**Financial Contact**

The Authority's financial statements are designed to present users with a general overview of the Authority's finances. Questions concerning any of the information provided in the report or request for additional financial information should be directed to the board of directors of the Rogers City Area Fire Department Authority at 1117 E. Heythaler Hwy, Rogers City, Michigan 49779.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**  
 Presque Isle County, Michigan  
**GOVERNMENT WIDE STATEMENT OF NET POSITION**  
 December 31, 2015

<b>ASSETS</b>	<u>2015</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 468,135
Accounts Receivable	3,475
Less: Allowance for Doubtful Accounts	<u>(1,000)</u>
Total Current Assets	<u>470,610</u>
<b>Capital Assets</b>	
Fixed Assets	1,505,318
Less: Accumulated Depreciation	<u>(767,175)</u>
Total Capital Assets	<u>738,143</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,208,753</u></u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accrued expenses	\$ 13,320
Total Current Liabilities	<u>13,320</u>
<b>TOTAL LIABILITIES</b>	<u>13,320</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	738,143
Unrestricted Net Position	<u>457,290</u>
<b>TOTAL NET POSITION</b>	<u>1,195,433</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 1,208,753</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**  
 Presque Isle County, Michigan  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	PROGRAM REVENUES			NET REVENUE/ (EXPENSE) AND CHANGES IN NET POSITION 2015
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	TOTAL
<b>GOVERNMENTAL ACTIVITIES</b>				
Fire Service	\$ (221,098)	\$ 4,625	\$ -	\$ (172,788)
<b>GENERAL REVENUES</b>				
Real Property Tax				195,068
Other Income				1,063
Interest Income				706
Total General Revenues				196,837
<b>CHANGE IN NET POSITION</b>				24,049
<b>NET POSITION - JANUARY 1</b>				1,171,384
<b>NET POSITION - DECEMBER 31</b>				\$ 1,195,433

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**

Presque Isle County, Michigan

**BALANCE SHEET**

**DECEMBER 31, 2015**

	<u>2015</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 468,135
Accounts Receivable (Net of allowance for doubtful accounts)	2,475
	<u>470,610</u>
Total Assets	<u>\$ 470,610</u>
<b>LIABILITIES:</b>	
Accrued Expenses	\$ 13,320
Total Liabilities	<u>13,320</u>
<b>FUND EQUITY:</b>	
Restricted	-
Committed-Capital Reserve	30,000
Committed-Hall Construction	363,831
Assigned-Separation	7,800
Unassigned	55,659
Total Fund Equity	<u>457,290</u>
Total Liabilities and Fund Equity	<u>\$ 470,610</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**

Presque Isle County, Michigan

**RECONCILIATION OF THE BALANCE SHEET**

**TO THE STATEMENT OF NET POSITION**

**DECEMBER 31, 2015**

---

	2015
<b>TOTAL FUND BALANCES, PER BALANCE SHEET</b>	<u>\$ 457,290</u>
 Amounts reported in the Statement of Net Position are different because:	
Capital assets (net) used are not financial resources and therefore not used in the funds.	738,143
	<hr/>
<b>TOTAL NET POSITION, PER STATEMENT OF NET POSITION</b>	<u><u>\$ 1,195,433</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**  
 Presque Isle County, Michigan  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2015**

	<b>2015</b>
<b>REVENUES:</b>	
Real Property Tax	\$ 195,068
Charges for Runs	4,625
Other Income	1,063
Grants	43,685
<b>TOTAL REVENUES</b>	<b>244,441</b>
<b>EXPENDITURES:</b>	
Insurance	13,108
Payroll Expenses	51,467
Equipment Repair	6,469
Equipment Testing	8,514
Professional Fees	2,789
Rent Expense	16,000
Fuel Expense	1,081
Supplies and maintenance	4,359
Utilities	1,669
Grant Expenses	500
Other	2,928
Capital Outlay	43,044
<b>TOTAL EXPENDITURES</b>	<b>151,928</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>92,513</b>
<b>Non-operating revenues (Expenditures)</b>	
Interest Income	706
Interest Expense	-
<b>Total non-operating revenues (Expenditures)</b>	<b>706</b>
<b>CHANGE IN FUND BALANCE</b>	<b>93,219</b>
<b>Fund Balance - January 1</b>	<b>364,071</b>
<b>Fund Balance - December 31</b>	<b>\$ 457,290</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**

Presque Isle County, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2015**

---

	<u>2015</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 93,219</b>
 Amounts reported in the statement of activities are different because:	
 Governmental funds report capital outlays as expenditures, while in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(112,214)
Capital asset purchases, capitalized	<u>43,044</u>
<b>NET CHANGE IN NET POSITION</b>	<b><u>\$ 24,049</u></b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**  
Presque Isle County, Michigan  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2015

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The Rogers City Area Fire Department Authority, State of Michigan (the "Authority") is located in Presque Isle County and was founded on February 23, 2007 under provisions of Act No. 57 of the Public Acts of 1988 of the State of Michigan (Enabling Act). The incorporating municipalities creating the Authority are the City of Rogers City and the Townships of Belknap, Rogers, Bismarck, and Moltke. The purpose of the Authority is to furnish fire protection services to the municipalities within its district.

**Comparative Data** - Comparative data is not presented in the Authority's financial statements.

Its predecessor was the Rural Urban Fire Control Board, which was disbanded by transferring all assets and liabilities to the Authority. This transfer included cash, equipment and payables.

**Measurement Focus, Basis of Accounting, and Presentation of Financial Statements**

The Authority's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**Economic Dependency**

The Authority is economically dependent on real estate taxes collected from an ad valorem tax of up to one mill within the Authority's district. The levy is for a five year period beginning with the tax levy on 12/1/2012 through the tax levy on 12/1/2016 for the operating years of 2014 through 2017.

**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 on the activities of the Authority. All of the Authority's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable and have a specific function.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority only has one governmental fund, which is called the operating fund. This operating fund includes all transactions related to the approved current operating budget.



ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY

Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Government-Wide Statements**

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. When expenses are incurred for purposes for which both restricted and unrestricted net position are available, restricted net position are used prior to unrestricted net position. 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.

**Fund Based Statements**

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 Authority considers revenue 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 related to compensated absences, and claims and judgments are recorded only when payment is due.

A major revenue type for which receivables are recorded on the current accounting period's balance sheet include fire runs reported as charges for services. All other revenue items are considered to be available only when cash is received by the Authority.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government. There are no resources from the general fund which are required to be accounted for in another fund.

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

**Bank Deposits**

The Authority maintains a checking account and a certificate of deposit that are comprised of cash deposits only.

**Inventories**

Inventories are valued at cost, on a first-in, first-out basis. Inventory is not considered significant for financial reporting purposes.

**Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY

Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

---

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Capital Assets (continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related capital assets.

The Authority's capitalization policy is to capitalize individual amounts exceeding \$1,000 for equipment. Cost of buildings, infrastructure assets, land and land improvements exceeding \$5,000 will be capitalized.

Capital assets of the primary government are depreciated using straight-line method over the following estimated useful lives:

Furniture and equipment	5 - 15 years
Fire trucks, water trucks	8 years

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any deferred inflows of resources.

**Net Position Flow Assumption**

Sometimes the government 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 government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**Fund Balance Flow Assumption**

Sometimes the government 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 government'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 Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY

Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Balance Policies (continued)**

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net position. The face amount of issued debt is reported as other financing sources in the fund statement of revenues, expenditures, and changes in fund balance.

**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, 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.

**Property Taxes Receivable - Delinquent**

The relative property tax information for the Authority is as follows:

**Property Tax Revenue**

<u>Current Property Taxes, Fees &amp; Other</u>	<u>2014 Tax Roll</u>
2014 Tax Levy: Presque Isle County	\$195,068

2014 Taxable Value: \$197,196,904

Property taxes are levied on each December 1 and are payable by February 15 of the following year. Payments made after the February 15 date are considered delinquent. Voters approved up to 1.00 mill for the December 1, 2012 levy through the December 1, 2016 levy on August 7, 2012 for the Authority. The actual levy for the 2014 fiscal year was 1.0000 mill for Authority operations.

**Encumbrance Accounting**

Encumbrances for goods and services are documented by requisitions or contracts. Appropriations lapse at December 31, and any encumbrances outstanding at that time are to be either canceled or appropriately approved for in the subsequent year's budget. There were no outstanding encumbrances at December 31, 2015.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**  
Presque Isle County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

---

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

Budgets are adopted by Authority officials in compliance with GAAP and State law, specifically PA 2 of 1968 (the Uniform Budgetary Act), for the General and Special Revenue Funds.

The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the functional level. State law requires the Authority to have its budget in place by January 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits entities to amend their budgets during the year.

The Authority follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, Authority officials submit to the Board a proposed operating budget for the fiscal year, which commences on January 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Authority Board.
5. All appropriations lapse at year-end.

Budgets are to be prepared on the same basis of accounting as the financial statements.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The overall budget variance was a positive \$44,434 of revenues over expenditures. Formal budgetary integration is employed as a management control device during the year for the General Fund.

The negative budget variances for the year ended December 31, 2015 are as follows:

	Budget	Actual	Variance
Insurance	\$ 13,000	\$ 13,108	\$ 108
Supplies	\$ 4,300	\$ 4,359	\$ 59

The final amended budget is presented in the budget versus actual statement within the required supplemental information of this report.

**Fund Deficits**

The Authority had no accumulated fund balance deficits.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**  
 Presque Isle County, Michigan  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

**NOTE 3. DEPOSITS AND INVESTMENTS**

The Authority considers all regular deposits and certificates of deposit as cash equivalents since they are highly liquid assets. All cash deposits of the Authority are at FDIC insured banking institutions in the name of the Authority. Act 217, PA 1982 authorizes the Authority to deposit and invest in the accounts of federally insured banks, insured credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements, banker's acceptance legal for rating agencies within the three highest classifications maturing not more than 270 days after the date of purchase; and involving no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Authority's deposits are in accordance with statutory authority.

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be recoverable. As of December 31, 2015, \$113,831 of the Authority's bank balances of \$544,349 was exposed to custodial credit risk because of being uninsured and uncollateralized. Although the Authority's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the Authority's deposits.

**NOTE 4. ACCRUED EXPENSES**

Accrued expenses consist of:

	2015
Accounts Payable	\$ 12,026
Credit Card Payable	524
Payroll Taxes Payable	770
Total Accrued Expenses	\$ 13,320

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the Authority's activities for the current year was as follows:

	Balance 1/1/2015	Additions	Disposals	Balance 12/31/2015
Capital assets:				
Equipment	\$ 238,733	\$ 43,044	\$ -	\$ 281,777
Vehicles	1,223,542	-	-	1,223,542
Subtotal	1,462,275	43,044	-	1,505,319
Less: Accumulated depreciation for:				
Equipment	100,996	27,877	-	128,873
Vehicles	553,966	84,337	-	638,303
Subtotal	654,962	112,214	-	767,176
Net Capital Assets	\$ 807,313	\$ (69,170)	\$ -	\$ 738,143

Depreciation expense for the fiscal year ended December 31, 2015 was \$112,214.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**

Presque Isle County, Michigan

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015

---

**NOTE 6. LONG-TERM DEBT**

The Authority had \$0 of long-term debt at December 31, 2015.

**NOTE 7. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to property loss and torts, errors, omissions, and employee injuries. The Authority has purchased commercial insurance for property, personal liability, and umbrella coverage. Settled claims relating to the commercial insurance are not expected to exceed the amount of insurance coverage.

**NOTE 8. COMPENSATED ABSENCES**

The Authority does not offer compensated absences, therefore there is no accrual presented in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences".

**NOTE 9. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 31, 2016, the date on which the financial statements were available to be issued.

**NOTE 10. COMMITTED FUND BALANCE**

During the fiscal year ended December 31, 2012, the Authority committed \$30,000 of fund balance for a capital reserve fund. The intent is to use these funds for future capital expenditures.

The Authority also has committed \$7,800 toward payments for departing employees.

In addition, the Authority has committed \$363,831 towards the construction of a fire hall.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**  
 Presque Isle County, Michigan  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCE - BUDGET AND ACTUAL  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

	Final Budget	Actual	Variance with Final Budget
<b>Revenues:</b>			
Real Property Tax	\$ 196,100	\$ 195,068	\$ (1,032)
Interest	500	706	206
Charges for Runs	1,000	4,625	3,625
Other Income	1,500	1,063	(437)
Grants	40,179	43,685	3,506
<b>Total Revenues</b>	<b>239,279</b>	<b>245,147</b>	<b>5,868</b>
<b>Expenditures:</b>			
Insurance	13,000	13,108	(108)
Payroll Expenses	58,400	51,467	6,933
Grant Expense	1,500	500	1,000
Equipment Repair	13,700	6,469	7,231
Equipment Testing	10,000	8,514	1,486
Professional Fees	2,900	2,789	111
Rent Expense	16,000	16,000	-
Fuel Expense	1,500	1,081	419
Supplies and maintenance	4,300	4,359	(59)
Utilities	2,200	1,669	531
Other	8,700	2,928	5,772
Capital Outlay	58,294	43,044	15,250
<b>Total Expenditures</b>	<b>190,494</b>	<b>151,928</b>	<b>38,566</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>48,785</b>	<b>93,219</b>	<b>44,434</b>
<b>Fund Balance, January 1, 2015</b>	<b>364,071</b>	<b>364,071</b>	<b>-</b>
<b>Fund Balance, December 31, 2015</b>	<b>\$ 412,856</b>	<b>\$ 457,290</b>	<b>\$ 44,434</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.