

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

**FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**



**SCHULZE, OSWALD, MILLER & EDWARDS 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, 2020  
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## **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, 2020, 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, 2020, 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 Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of revenues, expenditure, and changes in fund balance – budget and actual on pages 3 - 6 and 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 supplemental 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.

*Schulze, Oswald, Miller & Edwards PC*

Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
April 1, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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**

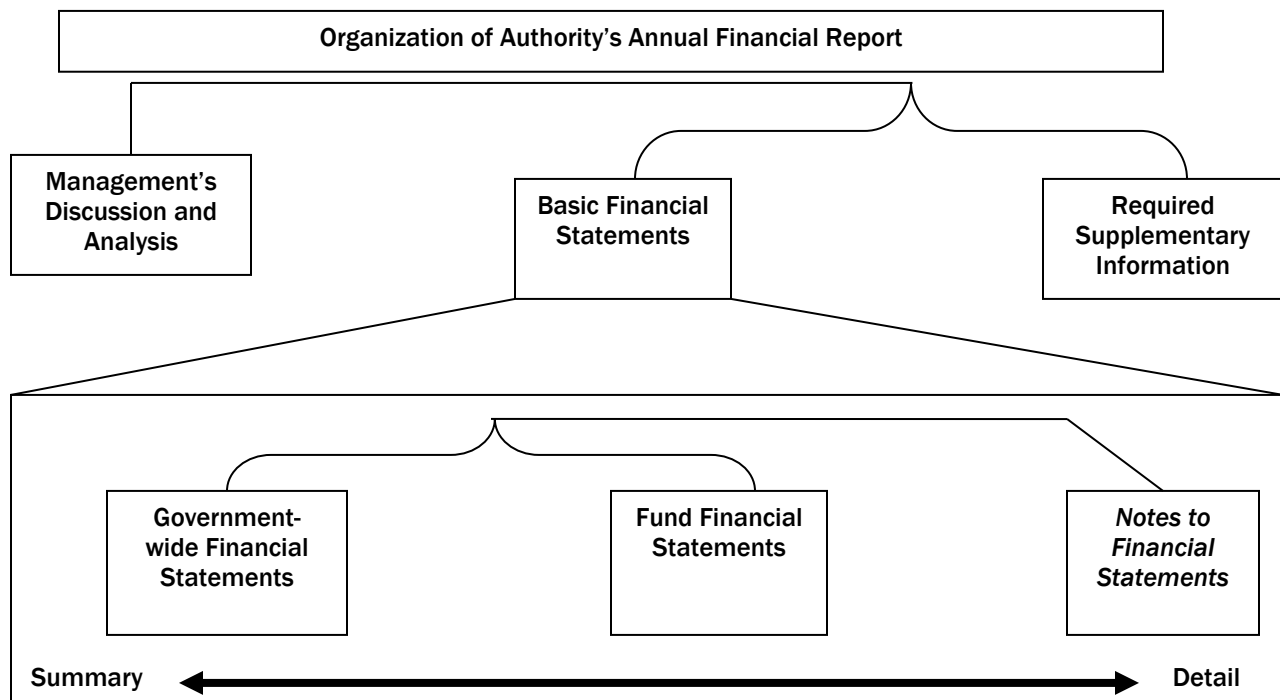
The following represents the most significant financial highlights for the year ended December 31, 2020:

- The Authority was authorized by public vote on August 7, 2017 to levy up to 1 mill. This levy generated \$196,805 in property tax revenue in the fiscal year ended December 31, 2020.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$1,066,979 (*net position*). Of this amount, \$241,137 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 \$770,845, an increase of \$24,262 in comparison with the prior year. Of this amount, \$241,137 is available for spending at the Authority's discretion (*unassigned fund balance*), \$7,800 is assigned for future separated employees and \$521,908 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 supplemental 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2020

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 schedule of revenues, expenditures, and changes in fund balance – budget and actual 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 13 - 19 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. A comparison statement is provided to show budget to actual information and related variances. A required supplemental information statement can be found on page 20 of this report.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2020**

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

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

1. Actual revenue for the fiscal year ended December 31, 2020 totaled \$193,456, including \$3,549 of interest income and a loss on disposal of an asset totaling (\$16,739). The asset disposed of was capitalized costs for construction in progress, including some legal fees now deemed obsolete.
2. Actual expenses totaled \$222,082, which included \$103,098 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, 2020.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY'S NET POSITION**

	<u>2019</u>	<u>2020</u>
<b>Assets</b>		
Current assets	\$ 769,243	\$ 770,845
Non-current capital assets	349,021	296,134
	<u>\$ 1,118,264</u>	<u>\$ 1,066,979</u>
<b>Liabilities and Net Position</b>		
<b>Liabilities</b>		
Current liabilities	22,660	-
Non-current liabilities	-	-
<b>Total Liabilities</b>	<u>22,660</u>	<u>-</u>
<b>Net Position</b>		
Invested in capital assets - net of related debt	349,021	296,134
Restricted	529,708	529,708
Unrestricted	216,875	241,137
<b>Total Net Position</b>	<u>1,095,604</u>	<u>1,066,979</u>
	<u>\$ 1,118,264</u>	<u>\$ 1,066,979</u>

**CHANGES IN ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY'S NET POSITION**

	<u>2019</u>	<u>2020</u>
<b>General Revenue</b>		
Property Taxes	\$ 192,901	\$ 196,805
Interest	7,958	3,549
Charges for Runs	1,317	2,000
Grants	-	6,219
Gain/(Loss)	-	(16,739)
Other	7,958	1,622
<b>Total Revenue</b>	<u>205,497</u>	<u>193,456</u>
<b>Public Safety</b>	<u>103,488</u>	<u>222,082</u>
<b>Change in Net Position</b>	<u>\$ (23,801)</u>	<u>\$ (28,626)</u>

**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, 2020, the Authority had \$296,134 (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  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

<b>ASSETS</b>	<b>2020</b>
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 770,845
Accounts Receivable	-
Less: Allowance for Doubtful Accounts	-
<b>Total Current Assets</b>	<b>770,845</b>
<b>Capital Assets</b>	
Fixed Assets	1,605,246
Less: Accumulated Depreciation	(1,309,112)
<b>Total Capital Assets</b>	<b>296,134</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,066,979</b>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accrued expenses	\$ -
<b>Total Current Liabilities</b>	-
<b>TOTAL LIABILITIES</b>	-
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	296,134
Restricted-Separation Fund	521,908
Restricted-Capital Reserve Fund	7,800
Unrestricted Net Position	241,137
<b>TOTAL NET POSITION</b>	<b>1,066,979</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,066,979</b>

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, 2020**

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	PROGRAM REVENUES			NET REVENUE/ (EXPENSE) AND CHANGES IN NET POSITION 2020	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	TOTAL
<b>GOVERNMENTAL ACTIVITIES</b>					
Public Safety	\$ 222,082	\$ 2,000	\$ -	\$ 6,219	\$ (213,863)
<b>GENERAL REVENUES</b>					
Property Tax					196,805
Interest Income					3,549
Other Income					1,622
Gain/(Loss) on disposal of asset					(16,739)
Total General Revenues					185,237
<b>CHANGE IN NET POSITION</b>					(28,626)
<b>NET POSITION - JANUARY 1</b>					1,095,605
<b>NET POSITION - DECEMBER 31</b>					\$ 1,066,979

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, 2020**

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	<b>2020</b>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 770,845
Accounts Receivable (Net of allowance for doubtful accounts)	-
<b>TOTAL ASSETS</b>	<b>\$ 770,845</b>
<b>LIABILITIES:</b>	
Accrued Expenses	\$ -
<b>TOTAL LIABILITIES</b>	<b>-</b>
<b>FUND EQUITY:</b>	
Committed-Capital Reserve	521,908
Assigned-Separation	7,800
Unassigned	241,137
<b>TOTAL FUND EQUITY</b>	<b>770,845</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 770,845</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 BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

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	<b>2020</b>
<b>TOTAL FUND BALANCES, PER BALANCE SHEET</b>	<b>\$ 770,845</b>
 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.	  296,134
 <b>TOTAL NET POSITION, PER STATEMENT OF NET POSITION</b>	  <b>\$ 1,066,979</b>

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, 2020**

<b>REVENUES:</b>	<b>2020</b>
Property Tax	\$ 196,805
Charges for Runs	2,000
Other Income	1,622
Grants	6,219
<b>TOTAL REVENUES</b>	<b>206,646</b>
<b>EXPENDITURES:</b>	
Insurance	2,007
Payroll Expenses	57,440
Equipment Repair	11,297
Equipment Testing	4,486
Professional Fees	9,904
Rent Expense	16,000
Fuel Expense	484
Supplies and Maintenance	1,698
Utilities	3,306
Education	48
Other	1,303
Capital Outlay	66,949
Expendable Equipment	11,011
<b>TOTAL EXPENDITURES</b>	<b>185,933</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>20,713</b>
<b>Non-operating revenues (Expenditures)</b>	
Interest Income	3,549
Interest Expense	-
<b>Total non-operating revenues (Expenditures)</b>	<b>3,549</b>
<b>CHANGE IN FUND BALANCE</b>	<b>24,262</b>
<b>Fund Balance - January 1</b>	<b>746,583</b>
<b>Fund Balance - December 31</b>	<b>\$ 770,845</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, 2020**

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	<u>2020</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 24,262</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	(103,098)
Loss on disposal of asset	(16,739)
Capital asset purchases, capitalized	<u>66,949</u>
<b>NET CHANGE IN NET POSITION</b>	<b><u><u>\$ (28,626)</u></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, 2020**

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**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 three year period beginning with the tax levy on 12/1/2017 through the tax levy on 12/1/2020 for the operating years of 2018 through 2021.

**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, 2020**

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**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.



**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY  
PRESQUE ISLE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**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. 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

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY  
PRESQUE ISLE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

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 Equity**

In the fund financial statements, governmental funds report the following classifications of fund balance:

*Nonspendable* - Includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

*Restricted* - Includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

*Committed* - Includes amounts that can only be used for specific purposes determined by a formal action by Board Resolution. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (Board Resolution) that was employed when the funds were initially committed.

*Assigned* - Includes amounts a government intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

*Unassigned* - Includes amounts that are available for any purpose. Positive amounts are only reported in the General Fund.

Restricted resources are used first when an expense is incurred for which both restricted and unrestricted resources are available. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first from committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

**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.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY  
PRESQUE ISLE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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

**Property Taxes Receivable - Delinquent**

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

**Property Tax Revenue**

Current Property Taxes, Fees & Other	2019 Tax Roll
2019 Tax Levy: Presque Isle County	\$196,805

2019 Taxable Value: \$196,805,604

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, 2017 levy through the December 1, 2021 levy for the Authority. The actual levy for the 2019 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, 2020.

**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.

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY  
PRESQUE ISLE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**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 \$24,262 of revenues over expenditures. Formal budgetary integration is employed as a management control device during the year for the General Fund. There were no negative budget variances for the year ended December 31, 2020.

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.

**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, 2020, \$469,059 of the Authority's bank balances of \$771,994 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:

	2020
Accounts Payable	\$ -
Credit Card Payable	-
Payroll Taxes Payable	-
Total Accrued Expenses	\$ -

**ROGERS CITY AREA FIRE DEPARTMENT AUTHORITY  
PRESQUE ISLE COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**NOTE 5 - CAPITAL ASSETS**

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

	Balance 1/1/2020	Additions	Disposals	Balance 12/31/2020
Capital assets:				
Equipment	\$ 289,689	\$ -	\$ -	\$ 289,689
Construction in Progress	33,150	66,949	17,083	83,016
Vehicles	1,232,542	-	-	1,232,542
Subtotal	<u>1,555,381</u>	<u>66,949</u>	<u>17,083</u>	<u>1,605,247</u>
Less: Accumulated depreciation for:				
Equipment	224,060	17,861	-	241,921
Vehicles	981,955	85,237	-	1,067,192
Subtotal	<u>1,206,015</u>	<u>103,098</u>	<u>-</u>	<u>1,309,113</u>
Net Capital Assets	<u>\$ 349,366</u>	<u>\$ (36,149)</u>	<u>\$ 17,083</u>	<u>\$ 296,134</u>

Depreciation expense for the fiscal year ended December 31, 2020 was \$103,098.

**NOTE 6 - LONG-TERM DEBT**

The Authority had \$0 of long-term debt at December 31, 2020.

**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 April 1, 2021, the date on which the financial statements were available to be issued. Additionally, with the uncertainties of COVID-19 occurring after the date of the report but prior to the release of the report it could negatively impact the financial condition of the fire authority. However, the related financial impact and duration cannot be reasonably estimated at this time.

**NOTE 10 - FUND BALANCE DESIGNATIONS**

During the fiscal year ended December 31, 2020, the Authority committed \$521,908 of fund balance for a capital reserve fund. The intent is to use these funds for future capital expenditures. The Authority also has assigned \$7,800 toward payments for departing employees.

**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, 2020**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET</b>
<b>REVENUES:</b>				
Property Tax	\$ 192,100	\$ 192,100	\$ 196,805	\$ 4,705
Interest	2,800	2,800	3,549	749
Charges for Runs	1,100	1,100	2,000	900
Other Income	1,100	1,100	1,622	522
Grants	1,000	1,000	6,219	5,219
<b>TOTAL REVENUES</b>	<b>198,100</b>	<b>198,100</b>	<b>210,195</b>	<b>12,095</b>
<b>EXPENDITURES:</b>				
Insurance	3,000	3,000	2,007	993
Payroll Expenses	57,500	57,500	57,440	60
Equipment Repair	11,150	12,530	11,297	1,233
Equipment Testing	9,000	5,000	4,486	514
Professional Fees	9,850	10,650	9,904	746
Rent Expense	16,000	16,000	16,000	-
Fuel Expense	1,500	1,500	484	1,016
Supplies and Maintenance	5,500	6,300	1,698	4,602
Utilities	2,100	3,400	3,306	94
Education	1,000	1,000	48	952
Other	1,400	1,400	1,303	97
Capital Outlay	55,000	67,000	66,949	51
Expendable Equipment	25,100	12,820	11,011	1,809
<b>TOTAL EXPENDITURES</b>	<b>198,100</b>	<b>198,100</b>	<b>185,933</b>	<b>12,167</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>24,262</b>	<b>24,262</b>
<b>FUND BALANCE, JANUARY 1, 2020</b>	<b>746,583</b>	<b>746,583</b>	<b>746,583</b>	<b>-</b>
<b>FUND BALANCE, DECEMBER 31, 2020</b>	<b>\$ 746,583</b>	<b>\$ 746,583</b>	<b>\$ 770,845</b>	<b>\$ 24,262</b>

SEE NOTES TO FINANCIAL STATEMENTS.



**REQUIRED COMMUNICATION TO THE ROGERS CITY AREA FIRE  
DEPARTMENT AUTHORITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

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

We have audited the financial statements of the governmental activities and the major fund of the Rogers City Area Fire Department Authority for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 19, 2021. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Rogers City Area Fire Department Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by Rogers City Area Fire Department Authority during the year for which there is a lack of authoritative guidance of consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the capital asset depreciation is based on the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Capital Assets in Note 5 to the financial statements estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

The disclosures in the financial statements are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### **Disagreements with Management**

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

### **Management Representation**

We have requested certain representations from management that are included in the management representation letter dated April 1, 2021.

### **Management's Consultations with Other Independent Accountants**

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

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Rogers City Area Fire Department Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, which is required supplemental information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### **Upcoming Changes in Accounting Standards**

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted due to delays related to COVID-19. The provisions of this statement are effective for the Authority's financial statements for the 2021 fiscal year.

### **Restriction on Use**

This information is intended solely for the use information and of the Board of Rogers City Area Fire Department Authority and the State of Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

*Schulze, Oswald, Miller & Edwards PC*

Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
April 1, 2021





**COMMUNICATION OF SIGNIFICANT DEFICIENCIES  
AND MATERIAL WEAKNESSES**

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

In planning and performing our audit of the 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, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

**1. Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements**

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Authority’s management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

**Condition:** As is the case with many smaller and medium-sized entities, the Authority has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority’s ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the Authority’s *internal* controls.

**Cause:** This condition was caused by the Authority's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally.

**Effect:** As a result of this condition, the Authority lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of Responsible Officials:** The Authority has evaluated the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Authority to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

## **2. Segregation of duties**

**Criteria:** All governments are required to have a strong system of internal controls to safeguard assets.

**Condition:** The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions, and subsequent control of assets.

**Cause:** The Authority cannot enact a complete separation of all aspects of each transaction due to the nature of local unit government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

**Effect:** As a result, the Authority must understand the limits of their internal control system.

**Recommendation:** We recommend that the Authority Board Members understand these circumstances when performing their oversight responsibilities.

**View of Responsible Officials:** Management recognizes that this limitation is a natural outgrowth of the small number of staff, and applies its judgment in determining how best to allocate the government's resources to provide and allocate the government's resources to provide and appropriate balance between sound internal controls and fiscal prudence.

This communication is intended solely for the information and use of management, the board members, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Schulze, Oswald, Miller & Edwards PC*

Schulze, Oswald, Miller & Edwards PC  
Alpena, Michigan  
April 1, 2021