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May 23, 2025

To the Fire Board
Graafschap Fire Department

We have audited the financial statements of the governmental activities and the major fund of the Graafschap Fire Department (the Department) for the year ended March 31, 2025. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, 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 February 17, 2025. 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 the Department are described in Note 1 to the financial statements. No new accounting policies were adopted, except for those noted in footnote 10, and the application of existing policies was not changed during fiscal year 2025. We noted no transactions entered into by the Department during the year for which there is a lack of authoritative guidance or 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 financial statements was capital asset depreciation.

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

The financial statement disclosures 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.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 23, 2025.

Other 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 the Department's auditor. 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 management's discussion and analysis and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response 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.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Department as of and for the year ended March 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting (internal control) to determine the 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Department's internal control to be a material weakness.

Material audit adjustments and financial statement preparation:

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of 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 accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e., external financial reporting).

Condition: We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Accrue payables at year end
- Convert the fund-based data necessary to prepare the government-wide financial statements

As is the case with many small and medium-sized governmental units, the Department has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Department's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot be considered part of the Department's internal controls. This is a repeat finding.

Cause: This condition was caused by the Department's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Department to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Department's accounting records were initially misstated by amounts material to the financial statements. In addition, the Department lacks complete internal controls over the preparation of its financial statements in accordance with GAAP and relies, at least in part, on assistance from its external auditor with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Department's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

The Department's response to the internal control finding described above was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Restriction on Use

This information is intended solely for the use of the Board of the Graafschap Fire Department 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.

Siegfried Crandall P.C.

Graafschap Fire Department
Allegan County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Graafschap Fire Department

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Graafschap Fire Department (the Department), as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, as listed in the contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Department, as of March 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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.

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

Change in Accounting Principle

As described in Note 10 to the financial statements, the Department adopted GASB statement 101 during the current year, which resulted in a restatement of net position. Our opinions are not modified with respect to this matter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Siegfried Crandall P.C.

May 23, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Graafschap Fire Department's (the Department) financial performance provides a narrative overview of the Department's financial activities for the year ended March 31, 2025. Please read it in conjunction with the Department's financial statements.

FINANCIAL HIGHLIGHTS

- The Department's total net position decreased by $36,226 as a result of this year's activities.
- Total net position, in the amount of $1,056,474, was reported, of which $1,122,791 represents a net investment in capital assets. This leaves the Department with an unrestricted deficit of $66,317.
- The Operating Fund's unassigned fund balance at the end of the fiscal year was a deficit of $28,784, which represents -3% percent of the actual total public safety expenditures for the fiscal year.

Overview of the financial statements

The Department's annual report is comprised of three parts: the management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include information that presents two different views of the Department:

- The government-wide financial statements provide both long-term and short-term information about the Department's overall financial status.
- The fund financial statements focus on individual parts of the Departments government, reporting the Department's operations in more detail than the government-wide financial statements.
    - Governmental funds statements explain how government services, like general government and public safety, were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2025 and 2024 is also presented.

Government-wide financial statements

The Statement of Net Position reports all of the Department's assets and liabilities, along with the difference between the two, which is identified as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Department's financial position is improving or deteriorating. However, other factors must also be considered when evaluating the overall financial position, such as the condition of the Department's capital assets.

The Statement of Activities shows how the Department's net position changed during the fiscal year. All changes in net position are reported when the underlying events giving rise to the changes occur, regardless of the timing of related cash flows. This statement should help the reader to answer the question: Is the Department better or worse off as a result of this year's activities?

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Net position

As noted earlier, net position may serve over time as a useful indicator of a department's financial position. In the Department's case, assets exceeded liabilities at the end of the fiscal year by $1,056,474. The Department's net investment in capital assets, a component of the total net position, amounts to $1,122,791. The Department uses these capital assets to provide essential services to its customers; consequently, these assets are not available to be liquidated for future spending needs. The remaining net position amounts to a $66,317 deficit.

Condensed financial information
Net position

	2025	*2024*
Current assets	**$ 17,333**	$ 172,345
Capital assets	**1,301,193**	1,228,338
Total assets	**1,318,526**	1,400,683
Current and other liabilities	**83,650**	66,958
Long-term debt	**178,402**	241,025
Total liabilities	**262,052**	307,983
Net position:		
Net investment in capital assets	**1,122,791**	987,313
Restricted	**-**	89,405
Unrestricted	**(66,317)**	15,982
Total net position	**$ 1,056,474**	$ 1,092,700

Changes in net position

The Department experienced a decrease in net position of $36,226 during the current fiscal year, compared to a $130,674 decrease in the prior year. Net position decreased in the current year, as revenues of $901,479 were offset by expenses of $937,705. During the year, revenues increased by $27,685 due to greater contributions from local units. Expenses decreased $66,763 compared to the prior year due to fewer public safety costs.

The Department's total revenues were $901,479 in the current fiscal year. Contributions from participating units, in the amount of $849,645, represent 94 percent of the Department's revenues.

The total cost of the Department's operations amounted to $937,705 in the current year compared to $1,004,468 in the prior year, or a decrease of $66,763 (7 percent). More than 47 percent of the expenses, in the amount of $438,130, are personnel costs. Depreciation expense, in the amount of $101,718, represents nearly 11 percent of expenses.

Condensed financial information
Changes in net position

	2025	*2024*
Revenues:		
Contributions from participating units	**$ 849,645**	$ 838,622
Capital grants	**17,950**	20,000
Charges for services	**32,162**	12,000
Other	**1,722**	3,172
Total revenues	**901,479**	873,794
Total expenses	**937,705**	1,004,468
Changes in net position	**$ (36,226)**	$ (130,674)
Net position, end of year	**$ 1,056,474**	$ 1,092,700

FINANCIAL ANALYSIS OF THE DEPARTMENT'S FUND

At March 31, 2025, the Department's Operating Fund reported a fund balance deficit of $28,784, a decrease of $171,649 from the prior year.

Operating Fund budgetary highlights
The Department did not amend its budgeted revenues nor expenditures during the year.

Actual revenues were $38,834 more than budgeted primarily because state grants were $17,950 more than anticipated. Total expenditures were $46,482 more than the amounts appropriated, primarily because personnel expenditures were over budget by $36,130.

These variances resulted in a $7,648 negative budget variance due to a $171,649 decrease in fund balance compared to a budgeted decrease of $164,001.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets
The Department's investment in capital assets as of March 31, 2025, amounts to $1,301,193 (net of accumulated depreciation). Capital assets consist of buildings, equipment, and vehicles. The net increase in capital assets amounted to $72,855, as depreciation expense of $101,718 was exceeded by capital acquisitions of $174,573.

More detailed information about the Department's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt
At the end of the fiscal year, the Department had long-term debt outstanding in the amount of $178,402, which represents a decrease of $62,623 related to principal payment made during the year. All debt is backed by the full faith and credit of the participating units.

The department also reports $37,533 in compensated absences at the end of the fiscal year.

More detailed information about the Department's long-term debt is presented in Note 7 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Department continues to rely on support from its participating municipalities to finance all operating costs and capital acquisitions.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is intended to provide the citizens, taxpayers, customers and investors of Laketown Township and Fillmore Township with a general overview of the Department's finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact either Township.

BASIC FINANCIAL STATEMENTS

Graafschap Fire Department

STATEMENT OF NET POSITION

March 31, 2025

ASSETS	
Current assets:	
Cash	$ 17,260
Receivables - local unit contributions	73
Total current assets	17,333
Noncurrent assets:	
Capital assets not being depreciated - land	23,136
Capital assets being depreciated, net	1,278,057
Total noncurrent assets	1,301,193
Total assets	1,318,526
LIABILITIES	
Current liabilities:	
Payables	46,117
Current portion of compensated absences	31,900
Current portion of note payable	64,765
Total current liabilities	142,782
Noncurrent liabilities:	
Compensated absences	5,633
Note payable	113,637
Total noncurrent liabilities	119,270
Total liabilities	262,052
NET POSITION	
Net investment in capital assets	1,122,791
Unrestricted (deficit)	(66,317)
Total net position	$ 1,056,474

See notes to financial statements

Graafschap Fire Department

STATEMENT OF ACTIVITIES

Year ended March 31, 2025

EXPENSES	
Public safety	$ 929,200
Interest on long-term debt	8,505
Total expenses	937,705
PROGRAM REVENUES	
Charges for services	32,162
Operating grants and contributions	849,645
Capital grants and contributions	17,950
Total program revenues	899,757
NET PROGRAM REVENUES	(37,948)
GENERAL REVENUES	
Other	1,722
CHANGE IN NET POSITION	(36,226)
NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED	1,117,564
CHANGE IN ACCOUNTING PRINCIPLE	(24,864)
NET POSITION - BEGINNING, AS RESTATED	1,092,700
NET POSITION - ENDING	$ 1,056,474

See notes to financial statements

Graafschap Fire Department

BALANCE SHEET - *Operating Fund*

March 31, 2025

	Operating Fund
ASSETS	
Cash	$ 17,260
Receivables	73
Total assets	$ 17,333
LIABILITIES	
Current liabilities	
Payables	$ 24,380
Accrued wages	21,737
Total current liabilities	46,117
Fund balance:	
Fund balance:	
Unassigned (deficit)	(28,784)
Total fund balance	(28,784)
Total liabilities and fund balance	$ 17,333
Reconciliation of the balance sheet to the statement of net position:	
Total fund balance	$ (28,784)
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	1,301,193
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund.	(37,533)
Long-term debt, consisting of a note payable is not due and payable in the current period and, therefore, is not reported in the fund.	(178,402)
Total net position	$ 1,056,474

See notes to financial statements

Graafschap Fire Department

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - *Operating Fund*

Year ended March 31, 2025

	Operating Fund
REVENUES	
Contributions from participating units	$ 846,645
State grants	17,950
Charges for services	21,150
Other	15,734
Total revenues	901,479
EXPENDITURES	
Current - public safety	819,618
Capital outlay	182,382
Debt service:	
Principal	62,623
Interest	8,505
Total expenditures	1,073,128
NET CHANGE IN FUND BALANCE	(171,649)
FUND BALANCE - BEGINNING	142,865
FUND BALANCE (DEFICIT) - ENDING	$ (28,784)
Reconciliation of the statement of revenues, expenditures, and change in fund balances to the statement of activities:	
Net change in fund balance	$ (171,649)
Amounts reported in the statement of activities are different because:	
Capital assets:	
Add - asset acquisitions	174,573
Less - depreciation provision	(101,718)
Net increase in compensated absences	(55)
Long-term debt - principal payment	62,623
Change in net position	$ (36,226)

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Graafschap Fire Department (the Department) conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:
As required by generally accepted accounting principles, these financial statements present only the Department (located in Allegan County) as management has determined that there are no other entities for which the Department is financially accountable.

Graafschap Fire Department ("Department") is owned by Laketown Township and Fillmore Township and was established to provide fire protection services for the benefit of the residents of both Laketown and Fillmore Townships. The Department's governing board consists of two members appointed by Laketown Township and two members appointed by Fillmore Township. The agreement between the townships provides that the costs of operations of the Department be allocated to the townships based on runs in each township and tax base. For the year ended March 31, 2025, costs were allocated 78.81% to Laketown Township and 21.19% to Fillmore Township. The financial statements of the Department are presented as a separate reporting entity and are not included with the financial statements of either Laketown Township or Fillmore Township.

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 all of the activities of the Department.

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

Measurement focus, basis of accounting, and financial statement presentation:
The statement of net position and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Operating Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Department generally considers revenues to be available if they are expected to be 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 relating to compensated absences, and claims and judgments are recorded only when payment is due.

Interest and other revenues associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Department.

Amounts reported as program revenues include: (1) charges to customers for services provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, and equity:

Cash - Cash is considered to be demand deposits.

Receivables - No allowance for uncollectible accounts has been recorded, as the Department considers all receivables to be fully collectible.

Prepaids - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in the government-wide financial statements.

Capital assets - Capital assets, which include land, property, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Department as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received.

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

Assets	Years
Building and improvements	20-40
Land improvements	15
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25

Net position - Net position represents the difference between assets and liabilities. The Department reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Department's debt. Restricted net position is reduced by liabilities related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Department.

Net position flow assumption - Sometimes, the Department 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 Department's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - Restricted fund balances are reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Board retains the authority to assign fund balances. Unassigned fund balance is the residual classification for the Operating Fund. When the Department incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Department's policy to use restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - The annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the Board is the activity level. All annual appropriations lapse at the end of the fiscal year. The only reportable budget variation was as follows:

Fund	*Function*	*Activity*	*Final budget*	*Actual*	*Variance*
Fire operating	Public safety	Fire	$ 770,816	$ 819,618	$ 48,802

The Department budgeted for an end-of-year deficit in the Operating Fund of $21,136. State statute does not permit a local unit to budget for an end of year deficit. The actual end of year fund balance deficit was $28,784.

NOTE 3 – CASH

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

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Department will not be able to recover its deposits. The Department's investment policy does not specifically address custodial credit risk for deposits. At March 31, 2025, $1,341,834 of the Township's bank balances of $1,744,140 including those of the joint venture (Graafschap Fire Department) was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the use of pooled accounts, it is not practicable to allocate custodial credit risk between the primary government and its joint venture.

NOTE 4 – RECEIVABLES

Receivables as of March 31, 2025, for the Department's individual funds, were as follows:

Fund	*Accounts*	*Intergovernmental*	*Totals*
Fire Department	$ -	$ 73	$ 73

All receivables are considered to be fully collectible and are due within one year.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2025, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Capital assets not being depreciated - land	$ 23,136	$ -	$ -	$ 23,136
Capital assets being depreciated:				
Buildings and improvements	1,169,855	-	-	1,169,855
Equipment	641,315	14,573	-	655,888
Vehicles	1,278,220	160,000	-	1,438,220
Subtotal	3,089,390	174,573	-	3,263,963
Less accumulated depreciation for:				
Buildings and improvements	(673,436)	(30,950)	-	(704,386)
Equipment	(511,510)	(22,017)	-	(533,527)
Vehicles	(699,242)	(48,751)	-	(747,993)
Subtotal	(1,884,188)	(101,718)	-	(1,985,906)
Total capital assets being depreciated, net	$ 1,205,202	$ 72,855	$ -	$ 1,278,057
Capital assets, net	$ 1,228,338	$ 72,855	$ -	$ 1,301,193

NOTE 6 – PAYABLES

Payables as of March 31, 2025, for the Department's fund were as follows:

Fund	*Accounts*	*Payroll*	*Totals*
Operating	$ 24,380	$ 21,737	$ 46,117

NOTE 7 - LONG-TERM DEBT

At March 31, 2025, long-term debt consists of the following items:

$63,251 notes payable - payable in annual installments of $22,613, including interest at 2.05%; final payment due May 2026	$ 42,906
$218,685 notes payable - payable in annual installments of $48,215, including interest at 2.05%; final payment due May 2028	135,496
Total obligations	$ 178,402

Long-term debt activity for the year ended March 31, 2025, is as follows:

	Beginning balance	*Additions*	*Net change*	*Reductions*	*Ending balance*	*Amounts due within one year*
Notes Payable						
Pumper truck note	$ 177,774	$ -	$ -	$ (42,278)	$ 135,496	$ 43,690
Aerial truck note	63,251	-	-	(20,345)	42,906	21,075
Total notes payable	241,025	-	-	(62,623)	178,402	64,765
Compensated absences	37,478	-	55	-	37,533	31,900

At March 31, 2025, debt service requirements were as follows:

Year ended March 31:	*Principal*	*Interest*
2026	64,765	6,063
2027	66,980	3,849
2028	46,657	1,558
	$ 178,402	$ 11,470

All debt is secured by the full faith and credit of the Department and is considered a direct borrowing.

NOTE 8 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Department has purchased commercial insurance for each of these claims up to $5,000,000 and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 – DEFERRED COMPENSATION PLAN

The Department offers its employees a deferred compensation (defined contribution) plan with Northwestern Mutual Life Insurance Comp created in accordance with Internal Revenue Code Section 457 (through Laketown Township, the plan sponsor and legal employer of the Department's employees). The plan, available to all Department employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Trusts have been created for the plan assets, thereby insulating the assets from the unit of government's general creditors. The Department has no fiduciary or administrative responsibility for the plan; therefore, the plan assets are not reflected as an agency fund in the accompanying financial statements. The Department contributes 150% of an eligible employee's contribution to the plan, up to a maximum Department contribution of 11.25% of eligible compensation (employee maximum contribution is 7.5% of eligible compensation). For the year ended March 31, 2025, the Department's contribution amounted to $39,361.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

The Department adopted GASB 101, Compensated Absences, during the current year. As a result of implementing GASB 101, the beginning net position of the governmental activities has been restated as follows:

	Governmental Activities
Beginning of year, as previously reported	1,117,564
Change in accounting principle	(24,864)
Beginning of year, as restated	1,092,700

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. This statement is effective for fiscal years ending June 30, 2026, and after. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; and budgetary comparison information.

REQUIRED SUPPLEMENTARY INFORMATION

Graafschap Fire Department

BUDGETARY COMPARISON SCHEDULE

Year ended March 31, 2025

	Original budget	*Final budget*	*Actual*	*Variance with final budget positive (negative)*
REVENUES				
Local unit contributions:	$ 846,645	$ 846,645	$ 846,645	$ -
State grants	-	-	17,950	17,950
Charges for services	12,000	12,000	21,150	9,150
Other	4,000	4,000	15,734	11,734
Total revenues	862,645	862,645	901,479	38,834
EXPENDITURES				
Public safety:				
Salaries and wages	402,000	402,000	438,130	(36,130)
Payroll taxes	71,000	71,000	72,814	(1,814)
Workers' compensation insurance	14,000	14,000	15,741	(1,741)
Professional services	4,500	4,500	4,500	-
Supplies	35,000	35,000	25,454	9,546
Repairs and maintenance	40,000	40,000	44,017	(4,017)
Contracted services	15,000	15,000	18,885	(3,885)
Health insurance	55,000	55,000	80,131	(25,131)
Education and training	15,000	15,000	11,162	3,838
Insurance	15,000	15,000	16,645	(1,645)
Buildings and grounds	40,000	40,000	35,502	4,498
Utilities	22,000	22,000	12,269	9,731
Miscellaneous	42,316	42,316	44,368	(2,052)
Total public safety	770,816	770,816	819,618	(48,802)
Capital outlay	185,000	185,000	182,382	2,618
Debt service:				
Principal	62,623	62,623	62,623	-
Interest	8,207	8,207	8,505	(298)
Total expenditures	1,026,646	1,026,646	1,073,128	(46,482)
NET CHANGES IN FUND BALANCES	(164,001)	(164,001)	(171,649)	(7,648)
FUND BALANCES - BEGINNING	142,865	142,865	142,865	-
FUND BALANCES - ENDING	$ (21,136)	$ (21,136)	$ (28,784)	$ (7,648)

Auditing Procedures Report Worksheet

Local Unit Basic Information

County:	Allegan	Type:	Other	Local Unit Name:	Graafschap Fire Department
Municode:	03-7-514	FY Ending:	2025	Year End Month:	3

REPORTING

Enter Opinion Date: 5/23/25

Select type of audit opinion for the following: Choices: **Unmodified / Qualified / Adverse / Disclaimer / N/A**

Governmental activities:	unmodified	Business-type activities:	N/A
Aggregate discretely presented component units:	N/A	Major fund(s):	unmodified
Aggregate remaining fund information:	N/A	Aggregate discretely presented component units and remaining fund information:	N/A

	YES	NO
Has the local unit complied with generally accepted accounting principles (GAAP)?	X	
Are all required component units/funds/significant others of the local unit included in the financial statements and disclosed in the reporting entity notes to the financial statements when applicable?	X	
If NO, Please check and list all of the following that are missing: ___ Component Units ___ Funds ___ Significant Others		
Is this unit in compliance with the *Uniform Chart of Accounts* issued by the Department of Treasury?	X	
Nothing came to my attention that caused me to believe that the local unit failed to comply with guidance issued by the Local Government Financial Services Division (ie., Uniform Reporting Format, Accounting Manual, Audit Manual, Budget Manual, Numbered Letters, MCGAA Statements). If nothing came to your attention, mark yes.		X

STATUTORY

	YES	NO
Nothing came to my attention that caused me to believe that the local unit failed to comply with charters or ordinances. If nothing came to your attention, mark yes.	X	

If NO, Indicate section of charter or ordinance with which the local unit is not in compliance:

	YES	NO
Does the local unit have a court ordered judgment tax levy or judgment bond?		X
If YES, Is this a one year levy?		

	YES	NO	N/A
Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?			X
Has the current year pension actuarially determined contribution been paid by the unit required by the State Constitution Article 9, Section 24?			X

	YES	NO
Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the manual for Audits of Local Units of Government in Michigan, as revised (see Appendix H of manual)?	X	
If NO, Has a description of the illegal or unauthorized expenditures been included in the audit?		

If YES, Please provide page number: ___

If NO, Describe ___

	YES	NO
Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of the audit that have not been previously communicated to the Local Government Financial Services Division?	X	
If NO, Has a written report (forensic audit) been produced?		
Has law enforcement been notified?		
Does the audit report identify violations of other statutes not described in above?		X

If YES, Describe: ___

BORROWING / DEBT / DEFICIT

	YES	NO
Does the local unit have a negative fund balance in any of its unrestricted (unassigned, assigned and committed) fund balances/unrestricted fund net position (not government-wide statements)?	X	

If YES, You must complete the "Deficit Worksheet' section below.

	YES	NO
Is the local unit in compliance with Public Act 34 of 2001, Revised Municipal Finance Act (ie., authorized borrowing, annual filing of a qualifying statement, filing of a security report within 15 days of any issuance)?	X	

	YES	NO	N/A
Is the local unit in compliance with orders issued under Public Act 243 of 1980, Emergency Municipal Loan Act?			X

BUDGET

	YES	NO	N/A
Did the local unit adopt a budget for all required funds (MCL 141.436)?	X		
Was a public hearing on the budget held in accordance with State statute?	X		
Were the local unit's actual expenditures within the amounts authorized in the budget?		X	

If NO,

	YES	NO
Are there any individual expenditures or other financing uses that exceed 10% of total expenditures?	X	
If YES, Are any of those over budget by 10% or more?		X

INTERNAL CONTROLS

	YES	NO
Has the board or council approved all disbursements prior to payment as required by charter or statute?	X	
Do all deposits / investments comply with statutory requirements including the adoption of an investment policy?	X	
To your knowledge, were the bank reconciliations performed timely?	X	
Are there any reported deficiencies other than segregation of duties and/or the preparation of financial statements?		X

If YES,

How many are: Enter a number from **0 to 20+**:

Material weaknesses? | Significant deficiencies? | Statutory non-compliance?

	YES	NO
Are any reported deficiencies repeated from the prior year?		
Were there any reported deficiencies including those that would be related to internal controls, statutory compliance, or other areas of concern?	X	

FINANCIAL STATEMENTS

Please enter the following:

General Fund Revenue:	$ 901,479	Governmental net position:	$ 1,056,474
General Fund Expenditure (Must be positive:	$ 1,073,128	Business type net position:	$ -
General Fund Other financing net sources/ (uses) (Can be positive or negative):	$ -	Component units total net position:	$ -
General Fund Beginning Balance:	$ 142,865	Governmental Activities Long-Term Debt:	$ 215,935
General Fund Ending Balance:	$ (28,784)	Major Fund Deficit Amount:	$ (28,784)
Calculated General Fund Ending Balance:	$ (28,784)	Governmental fund revenues	$ 901,479

If the Calculated General Fund Ending Balance is different than the entered General Fund Ending Balance then please explain the difference:

Certified Public Accountant Information

X We affirm that we are certified public accountants licensed to practice in Michigan.

X We affirm that all answers are correct to the best of our knowledge.

X We further affirm that all material weaknesses, significant deficiencies, and statutory noncompliance violations as well as all budget violations that were reported to the auditee are reported to the Michigan Dept of Treasury.

CPA Name: Josh Gabrielse Ten Digit License Number: 1101034266

Please provide a primary email address for the local unit contact: Al@laketowntwp.org

The Department has no DB pension or OPEB plans.