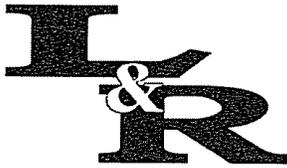


LOOKING GLASS REGIONAL FIRE AUTHORITY
CLINTON COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
AND
INDEPENDENT AUDITORS' REPORT

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-4
STATEMENTS OF NET POSITION	5
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9-15
LETTER OF COMMENTS AND RECOMMENDATIONS	17-18



Layton & Richardson, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Looking Glass Regional Fire Authority
Grand Ledge, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

We have audited the accompanying financial statements of the business-type activities of **Looking Glass Regional Fire Authority** as of and for the years ended December 31, 2013 and 2012, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 financial position of the business-type activities of Looking Glass Regional Fire Authority as of December 31, 2013 and 2012, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the required components of GASB Statement No. 65, as applicable. Our opinions are not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, 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 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.



Certified Public Accountants

East Lansing, Michigan
June 23, 2014

LOOKING GLASS REGIONAL FIRE AUTHORITY

Management's Discussion and Analysis

Using This Report

The annual report consists of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. Along with the footnotes, they provide detailed financial information concerning the Authority. This section, the Management's Discussion and Analysis, is intended to provide an overview of the Authority's financial condition, results of operations, and other key information.

Financial Overview

In analyzing the Authority's financial position, it is important to recognize the purpose of the Authority. The Authority was formed in October, 2001, to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities, both Watertown Charter Township and Eagle Township. The Authority's income primarily comes in as contributions and service contract payments from Watertown Charter Township (62%) and Eagle Township (38%). This percentage is determined by calculating the average historical use.

The following table shows the major components of net position for December 31, 2013 and 2012:

	2013	2012
Capital assets	\$ 1,343,527	\$ 1,429,796
Other assets	<u>40,620</u>	<u>71,512</u>
Total Assets	<u>\$ 1,384,147</u>	<u>\$ 1,501,308</u>
Current Liabilities	\$ 3,661	\$ 14,049
Deferred inflow of resources	<u>19,868</u>	<u>24,355</u>
Total Liabilities and deferred inflows of resources	<u>23,529</u>	<u>38,404</u>
Net position		
Invested in capital assets:		
Land	107,100	107,100
Equipment, net	<u>1,236,427</u>	<u>1,322,696</u>
Invested in capital assets	<u>1,343,527</u>	<u>1,429,796</u>
Restricted for equipment/capital outlay	<u> </u>	<u>16,941</u>
Unrestricted		
Available	<u>17,091</u>	<u>16,167</u>
Total net position	<u>1,360,618</u>	<u>1,462,904</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,384,147</u>	<u>\$ 1,501,308</u>

LOOKING GLASS REGIONAL FIRE AUTHORITY

Management's Discussion and Analysis - Concluded

Financial Overview – Concluded

(Available unrestricted net position would be divided 62/38 Watertown Township; \$10,596/Eagle Township; \$6,495 for 2013.)

The following table shows the major components of the (decrease) increase in net position for 2013 and 2012:

	2013	2012
Watertown Charter Township Contributions/ Charges for Services	\$ 238,421	\$ 246,396
Eagle Township Contributions/ Charges for Services	146,129	157,532
Interest		75
Contributions/Donation/Refunds	<u>958</u>	<u>25,150</u>
Total Revenues	385,508	429,153
Return of excess contributions		(120,912)
General Government Expenses	(<u>487,794</u>)	(<u>503,962</u>)
Change in net position	(102,286)	(195,721)
Net position, January 1	<u>1,462,904</u>	<u>1,658,625</u>
Net position, December 31	<u>\$ 1,360,618</u>	<u>\$ 1,462,904</u>

Capital Assets

Capital Assets, consisting of equipment and vehicles, were added during 2013 and 2012 in the amounts of \$3,000 and \$0, respectively.

Next Year's Budget and Future Trends

Looking Glass Regional Fire Authority bases its current year budget on historical data and projected changes. The Townships are billed based on this budget and any remaining unrestricted net position are refunded to the Townships based on the percentage they paid in.

Contacting the Authority's Management

This financial report is intended to provide the participating Townships with a general overview of the accountability for the money the Authority receives. If you have any question about this report, the Authority may be contacted for additional information.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF NET POSITION

ASSETS

	DECEMBER 31,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,732	\$ 54,331
Accounts receivable	481	17,181
Prepaid expenses	407	
	<u>40,620</u>	<u>71,512</u>
TOTAL CURRENT ASSETS		
CAPITAL ASSETS		
Capital assets not being depreciated	107,100	107,100
Other capital assets, net of depreciation	1,236,427	1,322,696
	<u>1,343,527</u>	<u>1,429,796</u>
TOTAL CAPITAL ASSETS		
TOTAL ASSETS	<u>\$ 1,384,147</u>	<u>\$ 1,501,308</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	\$ 3,261	\$ 13,640
Accrued payroll and related items	400	409
	<u>3,661</u>	<u>14,049</u>
TOTAL CURRENT LIABILITIES		
DEFERRED INFLOW OF RESOURCES		
Operating payment	19,868	24,355
	<u>19,868</u>	<u>24,355</u>
NET POSITION		
Invested in capital assets, net of related debt	1,343,527	1,429,796
Restricted for equipment/capital outlay		16,941
Unrestricted	17,091	16,167
	<u>1,360,618</u>	<u>1,462,904</u>
TOTAL NET POSITION		
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	<u>\$ 1,384,147</u>	<u>\$ 1,501,308</u>

See accompanying notes to financial statements.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	FOR THE YEARS ENDED DECEMBER 31,	
	2013	2012
OPERATING EXPENSES		
Salaries and related expenses	\$ 4,306	\$ 73,132
Employee benefits/programs	19,257	13,182
Contracted services	309,335	250,810
Operating expense	6,429	6,080
Professional fees	10,106	11,912
Advertising	761	
Insurance	10,385	9,302
Supplies	4,913	4,444
Travel		577
Turnout gear		4,545
Training	14	272
Repairs and maintenance	9,967	16,440
Utilities	18,062	16,146
Depreciation	89,269	90,493
Miscellaneous	4,990	6,627
	<u>487,794</u>	<u>503,962</u>
OPERATING REVENUES		
Operating contributions	384,550	403,928
Capital contributions and grants		3,399
Miscellaneous	958	21,751
	<u>385,508</u>	<u>429,078</u>
NET LOSS FROM OPERATIONS	<u>(102,286)</u>	<u>(74,884)</u>
NONOPERATING REVENUES (EXPENSES)		
Return of excess contributions to Townships		(120,912)
Investment income		75
		<u>75</u>
TOTAL NONOPERATING REVENUES (EXPENSES)		<u>(120,837)</u>
CHANGE IN NET POSITION	(102,286)	(195,721)
NET POSITION, JANUARY 1	<u>1,462,904</u>	<u>1,658,625</u>
NET POSITION, DECEMBER 31	<u><u>\$ 1,360,618</u></u>	<u><u>\$ 1,462,904</u></u>

See accompanying notes to financial statements.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers, contributions and grants	\$ 384,550	\$ 403,928
Cash received from operating contributions	(372,586)	(303,342)
Cash payment for goods and services	(23,563)	(86,315)
Cash payment for employees	<u>(23,563)</u>	<u>(86,315)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(11,599)</u>	<u>17,670</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(3,000)	
Return of excess contributions		(120,912)
	<u>(3,000)</u>	<u>(120,912)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,000)</u>	<u>(120,912)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		75
	<u>(14,599)</u>	<u>(103,167)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(14,599)</u>	<u>(103,167)</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>54,331</u>	<u>157,498</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 39,732</u>	<u>\$ 54,331</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating loss	\$ (102,286)	\$ (74,884)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	89,269	90,493
(Increase) decrease in accounts receivable	16,700	(14,209)
(Increase) decrease in prepaid expenses	(407)	3,883
Increase (decrease) in accounts payable	(10,379)	7,432
Increase (decrease) in accrued expenses	(9)	(19,400)
Increase (decrease) in deferred income	(4,487)	24,355
	<u>90,687</u>	<u>92,554</u>
Total adjustments	<u>90,687</u>	<u>92,554</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (11,599)</u>	<u>\$ 17,670</u>

See accompanying notes to financial statements.

THIS PAGE INTENTIONALLY BLANK

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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

Looking Glass Regional Fire Authority (the Authority) was established by the Township of Eagle and the Charter Township of Watertown. The Authority was incorporated in October, 2001, under the provisions of Act 7, Public Acts of 1967, known as the Urban Cooperation Act of 1967. The Authority is governed by a Board composed of residents of each of the constituent Townships. The Authority was formed to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities.

The accounting policies of Looking Glass Regional Fire Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*, issued in June, 1999.

Basis of Accounting

The accounts of Looking Glass Regional Fire Authority are organized as an Enterprise Fund, which is used to account for its operations as a provider of fire services.

The accrual basis of accounting is used to account for the operations of this Enterprise Fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of the related cash flows.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Accounts Receivable

The Authority's accounts receivable are comprised of amounts due from the participating Townships stated at invoice amounts. The Authority has determined no allowance for uncollectible amounts is necessary.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. The Authority has a \$1,000 capitalization policy. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method based on the estimated useful lives, which range from 5 to 39 years.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

Estimates

The preparation of financial statements in conformity with U.S. 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 2: PROPERTY, PLANT AND EQUIPMENT

Cost of property, plant, and equipment and depreciable lives are summarized as follows:

	JANUARY 1, 2013	ADDITIONS	RETIREMENTS AND TRANSFERS	DECEMBER 31, 2013	DEPRECIABLE LIFE (YEARS)
Capital assets not being depreciated					
Land	\$ 107,100	\$ _____	\$ _____	\$ 107,100	
Capital assets being depreciated					
Fire station	1,148,794			1,148,794	39
Vehicles	619,480			619,480	15
Communication equipment	29,584			29,584	10
Shop equipment	35,052	3,000		38,052	7-15
Office equipment	52,474			52,474	5-12
Fire fighting equipment	<u>236,693</u>	_____	_____	<u>236,693</u>	7-10
Total capital assets being depreciated	<u>2,122,077</u>	<u>3,000</u>	_____	<u>2,125,077</u>	
Total capital assets	2,229,177	3,000		2,232,177	
Less: accumulated depreciation	<u>799,381</u>	<u>89,269</u>	_____	<u>888,650</u>	
Net carrying amount	\$ <u>1,429,796</u>	\$ (<u>86,269</u>)	\$ _____	\$ <u>1,343,527</u>	

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2013 AND 2012

NOTE 2: PROPERTY, PLANT AND EQUIPMENT - Concluded

	JANUARY 1, 2012	ADDITIONS	RETIREMENTS AND TRANSFERS	DECEMBER 31, 2012	DEPRECIABLE LIFE (YEARS)
Capital assets not being depreciated					
Land	\$ <u>107,100</u>	\$ _____	\$ _____	\$ <u>107,100</u>	
Capital assets being depreciated					
Fire station	1,148,794			1,148,794	39
Vehicles	619,480			619,480	15
Communication equipment	29,584			29,584	10
Shop equipment	35,052			35,052	7-15
Office equipment	52,474			52,474	5-12
Fire fighting equipment	<u>236,693</u>	_____	_____	<u>236,693</u>	7-10
Total capital assets being depreciated	<u>2,122,077</u>	_____	_____	<u>2,122,077</u>	
Total capital assets	2,229,177			2,229,177	
Less: accumulated depreciation	<u>708,888</u>	<u>90,493</u>	_____	<u>799,381</u>	
Net carrying amount	\$ <u>1,520,289</u>	\$ (<u>90,493</u>)	\$ _____	\$ <u>1,429,796</u>	

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2013 AND 2012

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS – Continued

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

The United States Congress has temporarily increased Federal Deposit Insurance Corporation (FDIC) deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013. FDIC regulations provide that deposits of governmental units are to be separately insured for the amount of \$250,000 for deposits in an insured bank for savings deposits and \$250,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$250,000. For the purpose of these rules, the term “savings deposits” includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts.

The Authority’s cash and cash equivalents consist of bank deposits. The carrying amount at December 31, 2013 and 2012 was \$39,732 and \$54,331, respectively. The bank balance at December 31, 2013 and 2012 was \$40,217 and \$19,264, respectively. Of these amounts, \$40,217 and \$19,264, respectively, were insured by the Federal Deposit Insurance Corporation. The Authority has adopted a formal investment policy as required by Act 201, P.A. 1943 as amended, that complies with state law. The Authority has followed this policy.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO’s). As of December 31, 2013 and 2012, the Authority did not have any investments that would be subject to rating.

Interest Rate Risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2013 AND 2012

NOTE 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS - Concluded

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities.

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, error and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in the past three years.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Annual Pension Cost

For years ended December 31, 2013 and 2012, the Authority's annual pension cost of \$19,327 and \$2,350, respectively, for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity, and promotional pay increases. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2013 AND 2012

NOTE 5: **DEFINED BENEFIT PENSION PLAN - Concluded**

	FISCAL YEAR ENDED DECEMBER 31,		
	2013	2012	2011
Net pension obligation	\$	\$	\$ 10,727
Actuarial value of assets			147,001
Actuarial Accrued Liability (entry age)			114,163
(Underfunded) Overfunded Actuarial Accrued Liability			32,838
Funded ratio	%	%	129%
Covered payroll			146,924
(UAAL) OAAL as a percentage of covered payroll	%	%	22%

	FISCAL YEAR ENDED DECEMBER 31,		
	2013	2012	2011
Annual pension cost	\$	\$	\$ 10,727
Percentage of APC contributed	%	100%	100%

Beginning in 2012, the Authority no longer has any employees, as they all became employees of Delta Township. The retirement plan was transferred to the Township. The Authority's contribution of \$19,327 was to fully fund the Plan so it could be transferred. There will be no pension expense in the future.

NOTE 6: **SERVICE SHARING AGREEMENT**

Beginning March 1, 2012, Looking Glass Regional Fire Authority entered into a Fire and Ambulance Shared Services Agreement with the Charter Township of Delta. Under this agreement, Delta Township will provide the services previously provided by the employees of the Authority. The agreement is effective until December 31, 2016. Each year, the fee for the agreement will be recalculated based on the operating budget. The fee will be the yearly budget plus 20% minus \$110,000. A change was adopted in December, 2013 to be calculated from the yearly budget plus 20% less 94% of ambulance income during the year. The amount expensed for the years ended December 31, 2013 and 2012 was \$309,000 and \$249,483, respectively.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Concluded

DECEMBER 31, 2013 AND 2012

NOTE 7: UPCOMING ACCOUNTING PRONOUNCEMENTS

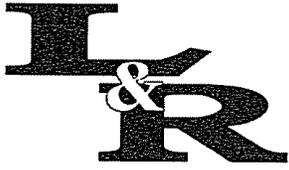
In June, 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual cost of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the Authority's fiscal year ending December 31, 2015.

In April, 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted for the year ending December 31, 2014.

NOTE 8: CHANGES IN ACCOUNTING PRINCIPLES

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was implemented during the current year. This statement established accounting and financial reporting standards that reclassified, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

THIS PAGE INTENTIONALLY BLANK



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Directors
Looking Glass Regional Fire Authority
Grand Ledge, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

In planning and performing our audit of the financial statements of **Looking Glass Regional Fire Authority**, as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Looking Glass Regional Fire Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We have summarized our comments and suggestions regarding those matters below. This letter does not affect our report dated June 23, 2014, on the financial statements of Looking Glass Regional Fire Authority.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

PRIOR YEAR RECOMMENDATIONS

CASH DISBURSEMENTS

To further strengthen internal controls over cash disbursements, we recommend the individuals responsible for preparing checks not be the same individuals responsible for mailing the checks after they have been signed. **Current year status: This recommendation has been implemented.**

CASH RECEIPTS

To further strengthen internal controls over cash receipts, we recommend that checks received be stamped "For Deposit Only" immediately upon receipt. **Current year status: This recommendation has been implemented.**

CURRENT YEAR RECOMMENDATIONS

None.

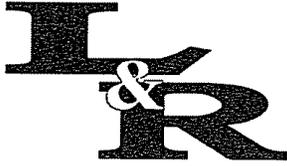
We are grateful to the Authority employees for their assistance and cooperation extended to us during the audit.

Very truly yours,

A handwritten signature in black ink that reads "Layton & Richardson, P.C." in a cursive style.

Certified Public Accountants

East Lansing, Michigan
June 23, 2014



Layton & Richardson, P.C.

Certified Public Accountants

To the Board of Directors
Looking Glass Regional Fire Authority
Grand Ledge, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

We have audited the financial statements of the business-type activities of Looking Glass Regional Fire Authority for the year ended December 31, 2013. 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 October 17, 2013. 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 Looking Glass Regional Fire 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 the year ended December 31, 2013. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that 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 estimates affecting the Authority's financial statements were:

Management's 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 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.

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 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 June 23, 2014.

Management 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 the 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 the 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.

This information is intended solely for the use of the Board and management of Looking Glass Regional Fire Authority, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

East Lansing, Michigan
June 23, 2014