HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION

Year Ended December 31, 2007

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Hamilton Fire Department	Allegan

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
December 31, 2007	February 15, 2008	February 19, 2008

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below**. (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☒	☐	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☒	☐	The local unit is free of repeated comments from previous years.
12.	☒	☐	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	N/A

Certified Public Accountant (Firm Name)	Telephone Number		
Campbell, Kusterer & Co., P.C.	989-894-1040		
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707

Authorizing CPA Signature	Printed Name	License Number
	Mark J. Campbell	1101007803

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

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INDEPENDENT AUDITOR'S REPORT

February 15, 2008

To the Fire Board
Hamilton Fire Department
Allegan County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Hamilton Fire Department, Allegan County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamilton Fire Department's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Hamilton Fire Department, Allegan County, Michigan as of December 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co, PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

This section of the Hamilton Fire Department's annual financial report presents our discussion and analysis of the fire departments financial performance during the fiscal year ended December 31, 2007. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Total assets at December 31, 2007, totaled $283,366.02 for governmental activities. Of this total, $268,508.04 represents capital assets net of depreciation.

Overall revenues were $227,756.46.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Fire Department.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the fire department's governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the fire department in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the fire department are reported as governmental activities.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS- ENTITY-WIDE FINANCIAL STATEMENTS – CONDENSED FINANCIAL INFORMATION
December 31, 2007

	Total Governmental Activities 2006	Total Governmental Activities 2007
Current Assets	114 354	34 412
Capital Assets	347 549	320 359
Total Assets	461 903	354 771
Current Liabilities	99 496	19 554
Non-current Liabilities	75 314	51 851
Total Liabilities	174 810	71 405
Net Assets:		
Invested in Capital Assets	272 235	268 508
Unrestricted	14 858	14 858
Total Net Assets	287 093	283 366

	Total Governmental Activities 2006	Total Governmental Activities 2007
Program Revenues:		
Charges for services	374 928	227 579
Grants	92 228	-
General Revenues:		
Interestt	222	177
Total Revenues	467 378	227 756
Program Expenses:		
Public Safety	256 519	228 222
Interest on long-term debt	10 161	3 261
Total Expenses	266 680	231 483
Increase (decrease) in Net Assets	200 698	(3 727)
Net Assets, January 1	86 395	287 093
Net Assets, December 31	287 093	283 366

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the fire department's funds, focusing on significant (major) funds not the department as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire Board also may create them. Funds are established to account for funding and spending or specific financial resources and to show proper expenditures of those resources.

The fire department has the following types of funds:

> Governmental Funds: All of the fire department's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the fire department's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT AS A WHOLE

Net Assets: The fire department's combined net assets decreased by $3,726.61 during the year ended December 31, 2007, totaling $283,366.02.

FINANCIAL ANALYSIS OF THE FIRE DEPARTMENT'S FUNDS

General Fund: This fund is used to record all activities of the fire department not to be recorded in a separate fund. The major source of revenue for the general fund is from local entities.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Department's governmental activities invested $14,212.20 in capital assets.

The Fire Department paid $23,462.88 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The fire department plans for the future include replacing existing equipment as it wears out. Plans are in the discussion stage.

CONTACTING THE FIRE DEPARTMENT'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and customers with a general overview of the fire department's finances and to demonstrate the fire departments accountability for the revenues it receives. If you have any questions concerning this report, please contact the fire department Chief, Assistant Chief, or Secretary-Treasurer by calling 269-751-2403 during the hours of 8:00 AM to 5:00 PM.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2007

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	34 411 62
Total Current Assets	34 411 62
NON-CURRENT ASSETS:	
Capital Assets	699 613 75
Less: Accumulated Depreciation	(379 254 51)
Total Non-current Assets	320 359 24
TOTAL ASSETS	354 770 86
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Due to other units	19 553 64
Total Current Liabilities	19 553 64
NON-CURRENT LIABILITIES:	
Notes payable	51 851 20
Total Non-current Liabilities	51 851 20
Total Liabilities	71 404 84
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	268 508 04
Unrestricted	14 857 98
Total Net Assets	283 366 02
TOTAL LIABILITIES AND NET ASSETS	354 770 86

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

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2007

		Program Revenue	Governmental Activities
	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	228 221 53	227 579 23	(642 30)
Interest on long-term debt	3 261 54	-	(3 261 54)
Total Governmental Activities	231 483 07	227 579 23	(3 903 84)
General Revenues:			
Interest			177 23
Total General Revenues			177 23
Change in net assets			(3 726 61)
Net assets, beginning of year			287 092 63
Net Assets, End of Year			283 366 02

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

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
December 31, 2007

	Total (General)
Assets	
Cash in bank	34 411 62
Total Assets	34 411 62
Liabilities and Fund Equity	
Liabilities:	
Due to other units	19 553 64
Total liabilities	19 553 64
Fund equity:	
Unreserved:	
Undesignated	14 857 98
Total fund equity	14 857 98
Total Liabilities and Fund Equity	34 411 62

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

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
December 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	14 857 98
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	699 613 75
Accumulated depreciation	(379 254 51)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	(51 851 20)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	283 366 02

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

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
Year ended December 31, 2007

	Total (General)
Revenues:	
Fire protection fees	227 579 23
Interest	177 23
Total revenues	227 756 46
Expenditures:	
Public safety:	
Fire protection:	
Wages	100 644 00
Payroll taxes	7 775 75
Insurance	18 603 00
Audit	1 800 00
Repairs and maintenance	31 394 35
Vehicle gas and oil	3 291 20
Supplies	9 291 98
Education and training	2 933 07
Telephone	896 00
Utilities	7 984 01
Miscellaneous	2 206 48
Capital outlay	14 212 20
Debt service	26 724 42
Total expenditures	227 756 46
Excess of revenues over expenditures	-
Fund balance, January 1	14 857 98
Fund Balance, December 31	14 857 98

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

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2007

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND	-
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(41 401 69)
Capital Outlay	14 212 20
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.	
Principal payments on long-term debt	23 462 88
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(3 726 61)

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

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Hamilton Fire Department, Allegan County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire Department contain all the Fire Department funds that are controlled by or dependent on the Fire Department's executive or legislative branches.

The Fire Department was organized in 1994 and includes the Townships of Heath, Manilus and Fillmore. The Department is governed by a Board consisting of nine members. The Fire Department provides fire protection services to the local units and is considered a separate reporting entity.

The reporting entity is the Hamilton Fire Department. The Fire Department is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Department as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire Department's government-wide activities are considered governmental activities.

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. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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. 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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 government

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

considers revenues 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Department reports only one fund as follows:

- The General Fund is used to record the operations of the Fire Department which pertain to maintaining and operating the Fire Department. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire Department. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire Department as assets with an initial cost of more than $5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Vehicles	20 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Post-employment Benefits

The Fire Department provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.

2. The proposed budgets include expenditures as well as the methods of financing them.

3. Public hearings are held to obtain taxpayer comments.

4. The budgets are adopted at the activity level by a majority vote of the Fire Board.

5. The budgets are adopted on the modified accrual basis of accounting.

6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

8. Budget appropriations lapse at the end of each fiscal year.

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of federally insured banks, 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 of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Note 3 – Deposits and Investments (continued)

The Fire Board has designated one bank for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Department's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	Carrying Amounts
Total Deposits	34 411 62

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	Bank Balances
Insured (FDIC)	34 411 62
Uninsured and Uncollateralized	-
Total Deposits	34 411 62

The Fire Department did not have any investments as of December 31, 2007.

Note 4 – Capital Assets

Capital asset activity of the Fire Department's Governmental activities for the current year was as follows:

	Balance 1/1/07	Additions	Deletions	Balance 12/31/07
Governmental Activities:				
Equipment	685 401 55	14 212 20	-	699 613 75
Total	685 401 55	14 212 20	-	699 613 75
Accumulated Depreciation	(337 852 82)	(41 401 69)	-	(379 254 51)
Net Capital Assets	347 548 73	(27 189 49)	-	320 359 24

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	Balance 1/1/07	Additions	Deductions	Balance 12/31/07
Note payable – bank – 1999	11 646 63	-	-	11 646 63
Note payable – bank – 2000	19 890 43	-	5 708 18	14 182 25
Note payable – bank – 2004	43 777 02	-	17 754 70	26 022 32
Total	75 314 08	-	23 462 88	51 851 20

Note 6 – Note Payable – Bank – 1999

On April 21, 1999, the Fire Department obtained a loan from Monroe Bank and Trust in the amount of $134,893.84 for the purpose of funding the acquisition of a new rescue vehicle. The note requires ten annual payments of $17,154.81 including interest at the rate of 4.56% per annum. As of December 31, 2007, the principal balance outstanding on the note was $11,646.63.

Note 7 – Note Payable – Bank – 2000

On October 9, 2000, the Fire Department obtained a loan from Monroe Bank and Trust in the amount of $120,003.00 for the purpose of funding the acquisition of a new fire truck. The note requires ten annual payments of $12,000.30 including interest at the rate of 5.75% per annum. As of December 31, 2007, the principal balance outstanding on the note was $14,182.25.

Note 8 – Note Payable – Bank – 2004

On April 9, 2004, the Fire Department obtained a loan from Huntington Bank in the amount of $153,430.71 for the purpose of funding the acquisition of a new fire truck. The note requires five annual payments of $19,893.02 including interest at the rate of 4.95% per annum plus a balloon payment of $105,916.98. As of December 31, 2007, the principal balance outstanding on the note was $26,022.32.

Note 9 – Deferred Compensation Plan

The Fire Department does not have a deferred compensation plan.

Note 10 – Pension Plan

The Fire Department does not have a pension plan.

Note 11 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Department has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

HAMILTON FIRE DEPARTMENT
Allegan County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Fire protection fees	254 000 00	254 000 00	227 579 23	(26 420 77)
Interest	150 00	150 00	177 23	27 23
Miscellaneous	3 000 00	3 000 00	-	(3 000 00)
Total revenues	257 150 00	257 150 00	227 756 46	(29 393 54)
Expenditures:				
Public safety:				
Fire protection	182 650 00	190 660 00	186 819 84	(3 840 16)
Capital outlay	24 500 00	22 000 00	14 212 20	(7 787 80)
Debt service	50 000 00	50 000 00	26 724 42	(23 275 58)
Total expenditures	257 150 00	262 660 00	227 756 46	(34 903 54)
Excess (deficiency) of revenues over expenditures	-	(5 510 00)	-	5 510 00
Fund balance, January 1	-	5 510 00	14 857 98	9 347 98
Fund Balance, December 31	-	-	14 857 98	14 857 98

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

February 15, 2008

To the Fire Board
Hamilton Fire Department
Allegan County, Michigan

We have audited the financial statements of the Hamilton Fire Department for the year ended December 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Hamilton Fire Department in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
Hamilton Fire Department
Allegan County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Fire Department's system of internal control is affected by the size of the staff that it can employ.

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.

The Fire Department cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Fire Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Department's financial statements and this communication of these matters does not affect our report on the Fire Department's financial statements, dated December 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants