

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Edwardsburg Joint Fire Board	County Cass
Audit Date March 31, 2007	Opinion Date April 24, 2007	Date Accountant Report Submitted to State: May 2, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>		Zip 48707	

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

April 24, 2007

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Edwardsburg Joint Fire Board, Cass County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Edwardsburg Joint Fire Board'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 Edwardsburg Joint Fire Board, Cass County, Michigan as of March 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., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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

The Management's Discussion and Analysis report of the Edwardsburg Joint Fire Board covers the Fire Board's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$785,319.48 for governmental activities. We acquired new land and building.

Overall total revenues were \$250,677.20 from governmental activities. Governmental activities had a \$79,197.39 increase in net assets.

We obtained a \$375,000.00 loan to partially fund the new land and building.

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 Board and the notes to the financial statements.

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 governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Fire Board 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 Fire Board as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire Board'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 Board are reported as governmental activities. This includes the General Fund.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Fire Board's funds, focusing on significant (major) funds not the Board 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 of specific financial resources and to show proper expenditures of those resources.

The Fire Board has the following types of funds:

Governmental Funds: All of the Fire Board'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 Board's entity-wide statements and the fund financial statements are disclosed in the reconciling statements to explain the differences between them. The Fire Board's governmental funds include the General Fund.

FINANCIAL ANALYSIS OF THE FIRE BOARD AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE FIRE BOARD'S FUNDS

The General Fund pays for all of the Fire Board's governmental services. The most significant was capital outlay which incurred expenses of \$598,162.95.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Board's governmental activities invested \$598,162.95 in capital assets.

The Fire Board's governmental activities received \$375,000.00 of loan proceeds.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

We continue to grow at a 10% rate in taxable values.

CONTACTING THE FIRE BOARD'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Fire Board's finances and to demonstrate the Fire Board's accountability for the revenues it receives. If you have any questions concerning this report please contact the Fire Chief at 26771 U.S. 12, P.O. Box 181, Edwardsburg, Michigan 49112 or call 269-663-2160.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	280 459 51
Due from other units	<u>175 694 68</u>
Total Current Assets	<u>456 154 19</u>
NON-CURRENT ASSETS:	
Capital Assets	1 521 916 43
Less: Accumulated Depreciation	<u>(817 751 14)</u>
Total Non-current Assets	<u>704 165 29</u>
TOTAL ASSETS	<u><u>1 160 319 48</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Note payable	<u>375 000 00</u>
Total Non-current Liabilities	<u>375 000 00</u>
Total Liabilities	<u>375 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	329 165 29
Unrestricted	<u>456 154 19</u>
Total Net Assets	<u>785 319 48</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 160 319 48</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		Charges for Services	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	171 479 81	241 279 59	69 799 78
Total Governmental Activities	<u>171 479 81</u>	<u>241 279 59</u>	<u>69 799 78</u>
General Revenues:			
Interest			8 616 80
Miscellaneous			<u>780 81</u>
Total General Revenues			<u>9 397 61</u>
Change in net assets			79 197 39
Net assets, beginning of year			<u>706 122 09</u>
Net Assets, End of Year			<u><u>785 319 48</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
March 31, 2007

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	280 459 51
Due from other units	<u>175 694 68</u>
Total Assets	<u><u>456 154 19</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	<u>456 154 19</u>
Total fund equity	<u><u>456 154 19</u></u>
Total Liabilities and Fund Equity	<u><u>456 154 19</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS

March 31, 2007

TOTAL FUND BALANCE – GOVERNMENTAL FUND	456 154 19
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	1 521 916 43
Accumulated depreciation	(817 751 14)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Note payable	<u>(375 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>785 319 48</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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

	<u>Total (General)</u>
Revenues:	
Township of Ontwa	162 215 40
Township of Jefferson	45 875 00
Township of Milton	33 189 19
Interest	8 616 80
Miscellaneous	780 81
	250 677 20
Total revenues	250 677 20
Expenditures:	
Public safety:	
Fire protection:	
Wages	16 500 00
Contracted services	11 600 00
Payroll taxes	1 262 25
Professional services	3 600 00
Training	1 109 20
Utilities	10 352 58
Telephone	1 496 93
Vehicle gas and oil	2 579 37
Supplies	13 953 45
Repairs and maintenance	12 171 85
Insurance	26 481 42
Capital outlay	598 162 95
	699 270 00
Total expenditures	699 270 00
Excess (deficiency) of revenues over expenditures	(448 592 80)
Other financing sources (uses):	
Loan proceeds	375 000 00
Total other financing sources (uses)	375 000 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(73 592 80)
Fund balance, April 1	529 746 99
Fund Balance, March 31	456 154 19

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND (73 592 80)

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 (70 372 76)
Capital Outlay 598 162 95

Receipt of debt proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets.

Loan proceeds (375 000 00)

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 _____ -

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES _____ 79 197 39

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Edwardsburg Joint Fire Board, Cass County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The Edwardsburg Joint Fire Board is comprised of the Townships of Jefferson, Milton, and Ontwa and the Village of Edwardsburg. The Board was created to provide fire protection primarily to these governmental units. The Board, which consists of members appointed by their respective local units, operates independently from its supporting units, and maintains control of all amounts collected, as well as all other acquired assets.

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 Board'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 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.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

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

The Fire Board reports only one fund as follows:

- The General Fund is used to record the operations of the Fire Board which pertain to maintaining and operating the Fire Board. 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 Board. 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.

Property Taxes

The Fire Board does not levy any property taxes.

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 Board as assets with an initial cost of more than \$1,000.00 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:

Buildings and improvements	10-31.5 years
Equipment and vehicles	5- 10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

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 Board 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.

The Fire Board has designated one bank for the deposit of Fire Board 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 Board's deposits and investments are in accordance with statutory authority.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 3 – Deposits and Investments (continued)

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

	Carrying Amounts
Total Deposits	280 459 51

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

	Bank Balances
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	189 216 10
Total Deposits	289 216 10

The Fire Board did not have any investments as of March 31, 2007.

Note 4 – Capital Assets

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

	Balance 4/1/06	Additions	Deletions	Balance 3/31/07
<u>Governmental Activities:</u>				
Land	12 495 00	143 000 00	-	155 495 00
Building and improvements	32 360 23	436 698 75	-	469 058 98
Equipment	50 038 25	18 463 20	-	68 501 45
Vehicles	828 860 00	-	-	828 860 00
Total	923 753 48	598 161 95	-	1 521 915 43
Accumulated Depreciation	(747 378 38)	(70 372 76)	-	(817 751 14)
Net Capital Assets	176 375 10	527 789 19	-	704 164 29

Note 5 – Note Payable

On June 26, 2006, the Edwardsburg Joint Fire Board obtained a loan from Chemical Bank in the amount of \$375,000.00 to partially fund the purchase of land and a building. The loan is payable in ten annual payments including principal and interest at the rate of 4.99% per annum. As of March 31, 2007, the principal balance outstanding was \$375,000.00.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 5 – Note Payable (continued)

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>
6-26-07	29 568 23	18 972 40
6-26-08	31 016 30	17 524 33
6-26-09	32 633 40	15 907 23
6-26-10	34 284 41	14 256 22
6-26-11	36 018 97	12 521 66
6-26-12	37 811 96	10 728 67
6-26-13	39 754 30	8 786 33
6-26-14	41 765 59	6 775 04
6-26-15	43 878 64	4 661 99
6-26-16	<u>48 268 20</u>	<u>2 448 73</u>
	<u>375 000 00</u>	<u>112 582 60</u>

Note 6 – Changes in Long-Term Debt

	<u>Balance</u> <u>4-1-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3-31-07</u>
Note Payable	<u>-</u>	<u>375 000 00</u>	<u>-</u>	<u>375 000 00</u>

Note 7 – Deferred Compensation Plan

The Fire Board does not have a deferred compensation plan.

Note 8 – Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Board 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.

Note 9 – Pension Plan

The Fire Board does not have a pension plan.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Township of Ontwa	164 969 86	164 969 86	162 215 40	(2 754 46)
Township of Jefferson	45 875 00	45 875 00	45 875 00	-
Township of Milton	33 189 19	33 189 19	33 189 19	-
Interest	-	-	8 616 80	8 616 80
Miscellaneous	-	-	780 81	780 81
	<u>244 034 05</u>	<u>244 034 05</u>	<u>250 677 20</u>	<u>6 643 15</u>
Total revenues				
Expenditures:				
Public safety:				
Fire protection	134 420 49	126 920 49	101 107 05	(25 813 44)
Capital outlay	12 000 00	599 500 00	598 162 95	(1 337 05)
	<u>146 420 49</u>	<u>726 420 49</u>	<u>699 270 00</u>	<u>(27 150 49)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>97 613 56</u>	<u>(482 386 44)</u>	<u>(448 592 80)</u>	<u>33 793 64</u>
Other financing sources (uses):				
Loan proceeds	-	375 000 00	375 000 00	-
Total other financing sources (uses)	<u>-</u>	<u>375 000 00</u>	<u>375 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>97 613 56</u>	<u>(107 386 44)</u>	<u>(73 592 80)</u>	<u>33 793 64</u>
Fund balance, April 1	<u>-</u>	<u>205 000 00</u>	<u>529 746 99</u>	<u>324 746 99</u>
Fund Balance, March 31	<u>97 613 56</u>	<u>97 613 56</u>	<u>456 154 19</u>	<u>358 540 63</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 24, 2007

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan

We have audited the financial statements of the Edwardsburg Joint Fire Board the year ended March 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 Edwardsburg Joint Fire Board 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."

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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

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Board's financial statements and this communication of these matters does not affect our report on the Fire Board's financial statements, dated March 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., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants