

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
First Consolidated Fire District
P.O. Box 305
Caledonia, Ohio 43314

We have reviewed the *Independent Auditors' Report* of the First Consolidated Fire District, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The First Consolidated Fire District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 8, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
First Consolidated Fire District
Marion County

We have audited the accompanying financial statements of First Consolidated Fire District, Marion County, Ohio, (the District) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to reasonably assure 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the District has prepared these financial statements using accounting practices the Auditor of State of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2007 and 2006, GAAP requires presenting entity wide statements and also presenting the District's larger (i.e. major) funds separately. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

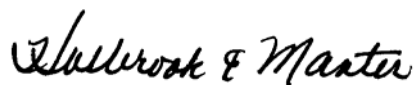
Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of First Consolidated Fire District, Marion County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

The Government has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

June 16, 2008

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
CASH RECEIPTS:-			
Local taxes	\$ 709,868	\$ 0	\$ 709,868
Charges for services	0	20,159	20,159
Fines, licenses, and permits	0	0	0
Intergovernmental	646	0	646
Earnings on investments	23,599	0	23,599
Other revenue	11,082	0	11,082
Total cash receipts	<u>745,195</u>	<u>20,159</u>	<u>765,354</u>
CASH DISBURSEMENTS:-			
Current:-			
General government	704,954	0	704,954
Public safety	11,000	18,878	29,878
Capital outlay	0	0	0
Total cash disbursements	<u>715,954</u>	<u>18,878</u>	<u>734,832</u>
Total cash receipts over (under) disbursements	<u>29,241</u>	<u>1,281</u>	<u>30,522</u>
Other Financing Receipts and Disbursements:-			
Other financing sources	0	0	0
Other financing uses	0	0	0
Total other financing receipts (disbursements)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	29,241	1,281	30,522
Fund cash balances, January 1, 2007	<u>510,888</u>	<u>18,938</u>	<u>529,826</u>
Fund cash balances, December 31, 2007	<u>\$ 540,129</u>	<u>\$ 20,219</u>	<u>\$ 560,348</u>
Reserve for encumbrances, December 31, 2007	<u>\$ 16,640</u>	<u>\$ 5,122</u>	<u>\$ 21,762</u>

The notes to the financial statements are an integral part of this statement

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
CASH RECEIPTS:-			
Local taxes	\$ 623,647	0	\$ 623,647
Charges for services	0	27,798	27,798
Fines, licenses, and permits	0	0	0
Intergovernmental	52,361	0	52,361
Earnings on investments	21,218	0	21,218
Other revenue	<u>7,074</u>	<u>0</u>	<u>7,074</u>
Total cash receipts	<u>704,300</u>	<u>27,798</u>	<u>732,098</u>
CASH DISBURSEMENTS:-			
Current:-			
General government	677,616	0	677,616
Public safety	0	16,923	16,923
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>
Total cash disbursements	<u>677,616</u>	<u>16,923</u>	<u>694,539</u>
Total cash receipts over (under) disbursements	<u>26,684</u>	<u>10,875</u>	<u>37,559</u>
Other Financing Receipts and Disbursements:-			
Other financing sources	44	0	44
Other financing uses	<u>0</u>	<u>(935)</u>	<u>(935)</u>
Total other financing receipts (disbursements)	<u>44</u>	<u>(935)</u>	<u>(891)</u>
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	26,728	9,940	36,668
Fund cash balances, January 1, 2006	<u>484,160</u>	<u>8,998</u>	<u>493,158</u>
Fund cash balances, December 31, 2006	<u>\$ 510,888</u>	<u>\$ 18,938</u>	<u>\$ 529,826</u>
Reserve for encumbrances, December 31, 2006	<u>\$ 13,467</u>	<u>\$ 0</u>	<u>\$ 13,467</u>

The notes to the financial statements are an integral part of this statement

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - First Consolidated Fire District, Marion County, (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed five-member Board of Trustees. One board member is appointed by each political subdivision within the District. Those subdivisions are Village of Caledonia, and the Townships of Canaan, Claridon, Scott, and Tully. The District provides fire protection and rescue services within the District.

The District's management believes these financial statements present all activities for which the District is financially accountable.

Basis of Accounting - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State of Ohio.

Cash and Investments - Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

Fund Accounting - The District uses fund accounting to segregate cash and investments that are restricted as to use. The District classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The District had the following significant Special Revenue Funds:

Ambulance and Emergency Medical Service Fund

This fund receives money for the ambulance or emergency medical services provided by the District and should be expended to support the costs of the management, maintenance, and operation of the emergency medical services in the District.

Budgetary Process - The Ohio Revised Code requires that the District budget annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The Marion County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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

Budgetary Process - (continued)

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Marion County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the District to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

Property, Plant and Equipment - Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

Accumulated Leave - In certain circumstances, such as upon leaving employment, employees are entitled to cash payment for unused leave. Unpaid leave is not reflected as a liability under the District's basis of accounting.

NOTE 2 - EQUITY IN POOLED CASH:-

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

Deposits	2007	2006
Demand Deposits	\$ 52,443	\$ 63,558
Star Ohio	507,905	466,268
Total deposits	\$ 560,348	\$ 529,826

Demand Deposits - The District's deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the District, or (3) collateralized by the financial institution's public entity deposit pool.

Investments - Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2007 was as follows:-

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 656,562	\$ 745,195	\$ 88,633
Special revenue	<u>0</u>	<u>20,159</u>	<u>20,159</u>
Total	\$ <u>656,562</u>	\$ <u>765,354</u>	\$ <u>108,792</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,146,850	\$ 715,954	\$ 430,896
Special revenue	<u>25,000</u>	<u>18,878</u>	<u>6,122</u>
Total	\$ <u>1,171,850</u>	\$ <u>734,832</u>	\$ <u>437,018</u>

Contrary to Ohio Revised Code 5705.36, for 2007 the District did not amend the certification during the year for sources which were available for expenditures from the Special Revenue Fund.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2006 was as follows:-

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 656,891	\$ 704,344	\$ 47,453
Special revenue	<u>0</u>	<u>27,798</u>	<u>27,798</u>
Total	\$ <u>656,891</u>	\$ <u>732,142</u>	\$ <u>75,251</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,144,800	\$ 677,616	\$ 467,184
Special revenue	<u>0</u>	<u>17,858</u>	<u>(17,858)</u>
Total	\$ <u>1,144,800</u>	\$ <u>695,474</u>	\$ <u>449,326</u>

Contrary to Ohio Revised Code 5705.36, for 2006 the District did not amend the certification during the year for sources which were available for expenditures from the Special Revenue Fund.

Contrary to Ohio Revised Code 5705.41, the District did not properly appropriate the total amount of expenditures, resulting in the budgetary expenditures exceeding the appropriation authority as of December 31, 2006 in the Special Revenue Fund by \$17,858.

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to Marion County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to Marion County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

NOTE 5 - RETIREMENT SYSTEMS:-

The District's full-time fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OP&F contributed 10% of their wages to the OP&F. The District contributed an amount equal to 24% of their wages. During 2007 and 2006, PERS members contributed 9.5% and 9.0% of their gross salaries, respectively. The District contributed an amount equal to 13.85% and 13.70% of participants' gross salaries for 2007 and 2006, respectively. The District has paid all contributions required through December 31, 2007.

NOTE 6 - RISK POOL MANAGEMENT:-

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Wrongful Acts
- Crime
- Inland marine
- Electronic Data Processing Management Liability



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees
First Consolidated Fire District
Marion County

We have audited the financial statements of the First Consolidated Fire District, Marion County, (the District) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 16, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the First Consolidated Fire District's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the First Consolidated Fire District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the deficiencies described in the accompanying schedule of findings as item 2007-001 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting as described above that we consider material weaknesses.

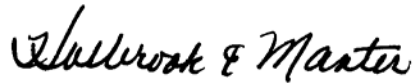
Compliance and Other Matters

As part of obtaining reasonably assuring whether First Consolidated Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of First Consolidated Fire District in a separate letter dated June 16, 2008.

First Consolidated Fire District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit First Consolidated Fire District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Trustees, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 16, 2008

**FIRST CONSOLIDATED FIRE DISTRICT
MARION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2007-001
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Significant Deficiency – Internal Control and Review Procedures

Although the Board receives and reviews a select number of reports from the Fiscal Officer of the District for approval on a monthly basis, the District has not established formal procedures to reasonably assure completeness and accuracy of the monthly reporting. During our testing and analysis, we noted that the Board of Trustees is not reviewing the numerical check sequence prior to signing the checks. In addition, they are not reviewing the bank statement for proper inclusion of authorized expenditures within the cancelled checks or electronic fund withdraws.

The District should carefully review this information and make appropriate inquiries to help determine the integrity of the financial information. When performing such review, the trustees' signatures or initials and the date should be affixed to the documents examined and it should be noted in the monthly minutes that the trustees' thoroughly reviewed and approved those documents. In addition, we also recommend that the numerical check sequence be noted in the minutes and signed off of by the Board each month.

Officials' Response

The Fiscal Officer will continue to provide the bank reconciliations and bank statements to the Trustees for their review and approval at each months meeting. The District will also document and approve the review of those reports and the numerical sequence of the checks within the monthly minutes.



Mary Taylor, CPA
Auditor of State

FIRST CONSOLIDATED FIRE DISTRICT

MARION COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2008**