

CENTRAL FIRE DISTRICT

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Central Fire District
232 N. Summit Street
Smithville, Ohio 44677

We have reviewed the *Report of Independent Accountants* of the Central Fire District, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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.

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 Central Fire District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 10, 2006

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CENTRAL FIRE DISTRICT
WAYNE COUNTY
AUDIT REPORT
For the year ended December 31, 2005

Table of Contents

<u>Title</u>	<u>Page</u>
Report of Independent Accountants.....	1-2
Management’s Discussion and Analysis.....	3-8
Basic Financial Statements:	
Government-wide Financial Statements - 2005:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis.....	10
Fund Financial Statements - 2005:	
Statement of Cash Basis Assets and Fund Balances	11
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances	12
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual – Budget Basis - General Fund.....	13
Notes to the Basic Financial Statements	14-24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	25
Status of Prior Audit’s Citations and Recommendations.....	26

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REPORT OF INDEPENDENT ACCOUNTANTS

**The Board of Trustees
Central Fire District
Wayne County, Ohio**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Central Fire District as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. 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 audit.

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. 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.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of December 31, 2005, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the District revised its financial statement presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2006 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on 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.

Charles E. Harris & Associates, Inc.
August 31, 2006

Central Fire District, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Central Fire District's financial performance provides an overall review of the District's financial activities for the year ended December 31, 2005, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$13,341, or 5.5 percent, from the prior year. The decrease in cash and cash equivalents is due primarily to the purchase of a new fire truck.

The District's general receipts are primarily property taxes. These receipts represent 86 percent of the total cash received for governmental activities during the year.

Central Fire District closed out its 2004 FEMA grant with purchases of protective gear and fire prevention educational material. These purchases totaled \$48,553 and the District received offsetting grant monies of \$43,697. Central Fire District also received an Ohio EMS grant of \$9,000, spending \$7,013 on EMS monitor upgrades, and carrying the balance into 2006. As previously mentioned, Central Fire District purchased an American LaFrance Aerial Pumper truck during 2005, taking delivery of the truck in August. The District used capital equipment funds to make the down payment on the truck and entered into a 7-year lease agreement with Old National Bank for the balance of the purchase price. Finally, toward the end of 2005, Wayne Township broke ground for a new fire station. Central Fire District experienced no costs for this new station in 2005, but did begin budgeting for costs to be incurred in 2006.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of Central Fire District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. Central Fire District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Central Fire District, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting Central Fire District as a Whole

Central Fire District was formed in 2001, as a fire and EMS unit providing services to Green Township, Wayne Township, and the Village of Smithville. Its governing body is a Board of Trustees composed of an appointed Trustee from each of the three participating entities that comprise the District. Central Fire District employs 1 full-time EMT/Firefighter, 1 full-time Paramedic/Firefighter, several part-time EMT/Firefighters, 1 part-time Fiscal Officer, and at the end of 2005 has a roster of 36 volunteers. Central Fire District's major source of funding is a continuing property tax levy. Other revenue sources in 2005 include grants and billings to non-residents for services provided by the District. Due to severe budget constraints prior to the passage of the property tax levy in May, 2001, the District has been in a "catch-up" mode on the maintenance of equipment and the building. 2005 saw a decrease in expenditures for repairs and maintenance as we begin to bring our equipment up to standards. During the end of 2004, Central Fire District converted its Peachtree accounting system to the Ohio Auditor of State's Uniform Accounting Network. 2005 has also been a transitional year as we adjusted to the new system, in addition to converting to the cash basis GASB 34 presentation format. In addition to these changes, a new clerk was appointed in June 2005, as the District's former clerk moved out of state. The District is striving to tweak and adjust its accounting practices to adjust to these changes.

The statement of net assets and the statement of activities reflect how the Central Fire District did financially during 2005, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other non-financial factors as well such as the District's property tax base, the condition of the District's capital assets, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the UAN accounting system divides the District's activities into two types of activities:

Central Fire District, Wayne County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

Governmental activities. All of the District's basic services are reported here, including fire and EMS. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The District has no business-type activities.

Reporting Central Fire District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Central Fire District under the Uniform Accounting Network are split into three categories: governmental, proprietary and fiduciary. Central Fire District does not have any proprietary or fiduciary funds.

Governmental Funds - All of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The Central Fire District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's only major governmental fund is the General Fund.

Central Fire District as a Whole

Table 1 provides a summary of the District's net assets for 2005:

(Table 1)
Net Assets

	Governmental Activities
	2005
Assets	
Cash and Cash Equivalents	\$ 228,373
Total Assets	\$ 228,373
 Net Assets	
Restricted for Other Purposes	\$ 1,987
Unrestricted	226,386
Total Net Assets	\$ 228,373

Central Fire District, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

As mentioned previously, net assets of governmental activities decreased \$13,341 or 5.5 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- In 2005, Central Fire District purchased a new fire truck, and made a down payment of \$150,489.

Table 2 reflects the changes in net assets in 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 32,691
Operating Grants and Contributions	49,600
Total Program Receipts	82,291
General Receipts:	
Property and Other Local Taxes	333,035
Grants and Entitlements Not Restricted to Specific Programs	52,697
Inception of Capital Lease	287,890
Total General Receipts	673,622
Total Receipts	755,913
Disbursements:	
General Government	34,200
Public Safety	290,144
Capital Outlay	444,910
Total Disbursements	769,254
Increase (Decrease) in Net Assets	(13,341)
Net Assets, January 1, 2005	241,714
Net Assets, December 31, 2005	\$ 228,373

In 2005, program receipts represent 11 percent of total receipts and are comprised of receipts from individuals living outside the District who are billed for services provided by the District, and which the Board of Trustees has designated to be set aside for the purchase of new EMS squad vehicles, and from the balance of the FEMA 2004 Grant and the 2005 Ohio EMS grant.

General receipts represent 89 percent of the District's total receipts in 2005, and of this amount, over 49 percent in 2005 are local taxes. Other receipts are either insignificant and somewhat unpredictable revenue sources or rare, large lease purchases.

Disbursements for General Government represent the overhead costs of running the District and the support services provided for the other Government activities. These include the payroll of trustees and fiscal officer, legal services, and property and liability insurance.

Public Safety is the costs of EMS and fire protection, and include payroll, training costs, property and equipment maintenance and utilities, and contracts with other entities for services.

Central Fire District, Wayne County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the District. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and capital outlay, which account for 38 and 58 percent of all governmental disbursements, respectively during 2005. General government represents about 4 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people (not citizens of the District) who are directly charged for the services provided by Central Fire District, and grants received by the Central Fire District. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. The Uniform Accounting Network has the ability to account for many different programs, but for the purposes of tracking monies within the District, all disbursements not general government disbursements are Public Safety Disbursements. All costs are combined and presented in Table 3. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$ 34,200	\$ 15,400
Public Safety	290,144	(257,453)
Capital Outlay	444,910	(444,910)
Total Expenses	\$ 769,254	\$ (686,963)

The dependence upon property and income tax receipts is apparent as over 89 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$755,913 and disbursements of \$769,254. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$15,328 as the result of the purchase of a fire truck.

The General Fund experienced fewer disbursements primarily in the maintenance and equipment funds, although at the same time the District has experienced increasing payroll and utility costs. While we are in the desirable position of spending less than we are receiving, caution and controlled spending is vital to the District as we complete our "catch-up" phase and begin growing in services, operating out of Station 2 and planning for equipment replacements.

Central Fire District, Wayne County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General Fund Budgeting Highlights

Central Fire District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the District amended its General Fund budget several times to reflect changing circumstances.

Final receipts were budgeted at \$411,255 while actual receipts were \$746,913 and final disbursements were budgeted at \$547,656 while actual disbursements were \$774,051, which reflects greater than budgeted receipts, and lower than budgeted expenditures. The result is the decrease in General Fund balance of \$27,138 for 2005.

Capital Assets and Debt Administration

Capital Assets

Central Fire District does not currently keep track of its capital assets and infrastructure.

Capital Leases

At December 31, 2005, the District's outstanding capital leases included \$287,890 in capital leases for equipment. See Note 10 in the accompanying notes to the financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Central Fire District is in the process of long-range planning in order to continue to provide quality services to its residents without compromising its commitment to upgrade and improve its equipment and facilities and to continually upgrade the quality service provided with continued education and training of its personnel.

Contacting Central Fire District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Nancy L. Kauffman, Fiscal Officer, Central Fire District, 232 N. Summit Street, Smithville, OH 44677.

Central Fire District, Wayne County

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 228,373</u>
<i>Total Assets</i>	<u><u>\$ 228,373</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$ 1,987
Unrestricted	<u>226,386</u>
<i>Total Net Assets</i>	<u><u>\$ 228,373</u></u>

See accompanying notes to the basic financial statements

Central Fire District, Wayne County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
Governmental Activities			
General Government	\$ 34,200	-	\$ 49,600
Public Safety	290,144	\$ 32,691	-
Capital Outlay	444,910	-	-
<i>Total Governmental Activities</i>	<u>\$ 769,254</u>	<u>\$ 32,691</u>	<u>\$ 49,600</u>
			(686,963)
General Receipts			
Property Taxes Levied for:			
General Purposes			333,035
Grants and Entitlements not Restricted to Specific Programs			52,697
Inception of Capital Lease			287,890
<i>Total General Receipts</i>			<u>673,622</u>
Change in Net Assets			(13,341)
<i>Net Assets Beginning of Year</i>			241,714
<i>Net Assets End of Year</i>			<u>\$ 228,373</u>

See accompanying notes to the basic financial statements

Central Fire District, Wayne County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 226,386	\$ 1,987	\$ 228,373
<i>Total Assets</i>	<u>\$ 226,386</u>	<u>\$ 1,987</u>	<u>\$ 228,373</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$ 11,810	\$ -	\$ 11,810
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	214,576	-	214,576
Special Revenue Funds	-	1,987	1,987
<i>Total Fund Balances</i>	<u>\$ 226,386</u>	<u>\$ 1,987</u>	<u>\$ 228,373</u>

See accompanying notes to the basic financial statements

Central Fire District, Wayne County
Statement of Cash Receipts, Disbursements and Changes in
Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 333,035	-	\$ 333,035
Charges for Services	32,691	-	32,691
Intergovernmental	85,282	\$ 9,000	94,282
Interest	7,340	-	7,340
Other	675	-	675
<i>Total Receipts</i>	<u>459,023</u>	<u>9,000</u>	<u>468,023</u>
Disbursements			
Current:			
General Government	34,200	-	34,200
Public Safety	283,131	7,013	290,144
Capital Outlay	444,910	-	444,910
<i>Total Disbursements</i>	<u>762,241</u>	<u>7,013</u>	<u>769,254</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(303,218)</u>	<u>1,987</u>	<u>(301,231)</u>
Other Financing Sources (Uses)			
Inception of Capital Lease	287,890	-	287,890
<i>Total Other Financing Sources (Uses)</i>	<u>287,890</u>	<u>-</u>	<u>287,890</u>
<i>Net Change in Fund Balances</i>	(15,328)	1,987	(13,341)
<i>Fund Balances Beginning of Year</i>	<u>241,714</u>	<u>-</u>	<u>241,714</u>
<i>Fund Balances End of Year</i>	<u>\$ 226,386</u>	<u>\$ 1,987</u>	<u>\$ 228,373</u>

See accompanying notes to the basic financial statements

Central Fire District, Wayne County
Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 335,100	\$ 355,200	\$ 333,035	\$ (22,165)
Charges for Services	10,000	10,000	32,691	22,691
Intergovernmental	43,697	43,697	85,282	41,585
Interest	1,000	1,000	7,340	6,340
Other	1,000	1,358	675	(683)
<i>Total receipts</i>	390,797	411,255	459,023	47,768
Disbursements				
Current:				
General Government	55,600	57,698	44,457	13,241
Public Safety	309,564	326,211	284,684	41,527
Capital Outlay	103,389	163,747	444,910	(281,163)
<i>Total Disbursements</i>	468,553	547,656	774,051	(226,395)
<i>Excess of Receipts Over (Under) Disbursements</i>	(77,756)	(136,401)	(315,028)	(178,627)
Other Financing Sources (Uses)				
Inception of Capital Lease	-	-	287,890	287,890
<i>Total Other Financing Sources (Uses)</i>	-	-	287,890	287,890
<i>Net Change in Fund Balance</i>	(77,756)	(136,401)	(27,138)	109,263
<i>Fund Balance Beginning of Year</i>	225,403	225,403	225,403	-
Prior Year Encumbrances Appropriated	16,311	16,311	16,311	-
<i>Fund Balance End of Year</i>	\$ 163,958	\$ 105,313	\$ 214,576	\$ 109,263

See accompanying notes to the basic financial statements

Central Fire District, Wayne County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

The Central Fire District, Wayne County, Ohio is a body politic and corporate established in 2001 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 three-member Board of Trustees. Central Fire District serves the citizens of Green and Wayne Townships and the Village of Smithville, and each of those entities appoints one Trustee to the Board of Trustees. Central Fire District also has an appointed Fiscal Officer.

The reporting entity is comprised entirely of the primary government.

A. Primary Government

The primary government consists of all funds and departments that are not legally separate from the District. The District provides fire and EMS protection to its citizens. The District contracts with the City of Wooster, Wooster Township, and with the City of Orrville for protection in some outlying areas.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the District that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Central Fire District currently does not have any business-type activities.

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance of the governmental activities of the District at year end. The statement of activities compares disbursements with program receipts for each of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The District uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the District are all considered governmental.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's only major governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

Central Fire District, Wayne County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the District may appropriate.

The appropriation resolution is the District's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the District. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the District Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the District.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the District during the year.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

During 2005, the District invested in nonnegotiable certificates of deposit, and a money market fund. The nonnegotiable certificates of deposit are reported at cost plus accrued interest, if any. The District's money market fund investment is recorded at the amount reported by the bank on December 31, 2005.

Interest earnings are allocated to District funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$7,340.

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District has no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

L. Long-Term Obligations

The District's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. The inception of a capital lease is recorded as a receipt with a corresponding expenditure to capital outlay. Lease payments are reported when paid.

Note 2 – Summary of Significant Accounting Policies (continued)

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The District's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. For example, the District has reserved monies for encumbrances. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods.

O. Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year, the District reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the District has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year-end (budgetary basis) amounted to \$11,810 for the General fund.

Note 5 – Deposits and Investments

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Central Fire District, Wayne County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 5 – Deposits and Investments (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$132,716 of the District's bank balance of \$332,716 which included \$74,921 of non-negotiable certificates of deposit was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 6– Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the District. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Central Fire District, Wayne County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6– Property Taxes (continued)

The full tax rate for all District operations for the year ended December 31, 2005, was \$2.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property		
Residential	\$	125,868,380
Agriculture		18,067,890
Commercial/Industrial/Mineral		18,061,500
Public Utility Property		
Real		70,590
Personal		7,338,600
Tangible Personal Property		7,382,080
Total Assessed Value	\$	176,789,040

Note 7 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005, the District contracted with VFIS, which is underwritten by the American Alternative Insurance Corporation to provide property and liability insurance coverage for the District.

Legal Liability	\$3,000,000	Per Occurrence
Automobile Liability	1,000,000	Per Occurrence
Wrongful Acts	1,000,000	Per Occurrence
Property	436,258	Total Coverage
Personal Property	27,040	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

The District provides health insurance to its full-time employees through the Wayne County Commissioners health plan. In addition, the District provides accident and sickness coverage to its employees and volunteers through VFIS.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The District participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in public safety contributed 9 percent of their annual covered salary. The District's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in public safety. For those classifications, the District's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004 and 2003 was \$1,640, \$1,552 and \$1,361, respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund

The District contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the District is required to contribute a total of 24 percent of which 16.25 percent is applied to the pension plan for firefighters. Contributions are authorized by State statute. The District's contribution to the Fund for firefighters for the years ended December 31, 2005, 2004 and 2003 was \$16,820, \$13,399 and \$8,108, respectively. The full amount has been contributed for all three years.

Note 9 - Post employment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$1,155. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

Central Fire District, Wayne County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 - Post employment Benefits (continued)

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post employment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2002, all retirees and survivors have monthly health care contributions.

The District's actual contributions for 2005 that were used to fund post employment benefits was \$5,432 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,662 for police and 10,474 for firefighters.

Note 10 – Leases

The District leases a vehicle under a capital non-cancelable lease. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 49,497
2007	49,497
2008	49,497
2009	49,497
2010	49,497
2011-2012	98,991
Subtotal	<u>\$ 346,476</u>
Interest	(58,586)
Total principal	<u><u>\$ 287,890</u></u>

Note 11 – Subsequent Events/Contingent Liabilities

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

The Board of Trustees
Central Fire District
Wayne County, Ohio

We have audited the financial statements of the Central Fire District, Wayne County (the District), as of and for the year ended December 31, 2005, and have issued our report thereon dated August 31, 2006, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of the District in a separate letter dated August 31, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris and Associates, Inc.
August 31, 2006

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending December 31, 2004, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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CENTRAL FIRE DISTRICT

WAYNE 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
OCTOBER 19, 2006**