

CENTRAL FIRE DISTRICT

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2007

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



Mary Taylor, CPA
Auditor of State

Board of Trustees
Central Fire District
232 North Summit Street
P.O. Box 338
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, 2007 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.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 21, 2008

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CENTRAL FIRE DISTRICT
WAYNE COUNTY
AUDIT REPORT
For the Year ended December 31, 2007

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

REPORT OF INDEPENDENT ACCOUNTANTS

Central Fire District
Wayne County
232 N Summit St
Smithville, Ohio 44677

To the Board of Trustees:

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, 2007, 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 2, 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, 2007, 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.

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 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. 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.

Charles E. Harris & Associates, Inc.
March 21, 2008

Central Fire District
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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, 2007, within the limitations of the District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities decreased by \$57,968 or 19.2 percent, a significant change from an increase of over 32 percent from the prior year. The decrease in cash and cash equivalents was mainly due to the purchase of a new EMS vehicle.

The District's general receipts are primarily property taxes. These receipts represent 86.6 percent of the total cash received for governmental activities during the year. Property receipts for 2007 increased \$20,990 over receipts for 2006.

Central Fire District, in response to increased growth in call volume, the occupancy of Station 2, in 2006, and anticipation of increased payroll, completed a successful levy campaign in May, 2007. The new levy will renew the current continuing levy at 2.5 mils with a 0.5 increase. The District will realize increased revenue in 2008. The District took delivery of a new EMS vehicle in March of 2007. Central Fire District received the Ohio EMS Grant for \$5,500 and also received a Regional FEMA grant, in conjunction with other Wayne County departments, for the upgrade/replacement of communications equipment. Further, the department received a Homeland Security Grant requiring no matching funds, for a Thermal Imaging Camera valued at \$11,000. Finally, the District received a large donation to be used towards the purchase of a hydraulic lift cot for the new EMS vehicle.

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
Management's Discussion and Analysis
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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 one full-time EMT/Firefighter, one full-time Paramedic/Firefighter, several part-time EMT/Firefighters, one part-time Fiscal Officer, and at the end of 2007, has a roster of 37 volunteers. Central Fire District's major source of funding is a continuing property tax levy. Other revenue sources in 2007 include grants, interest income, and billings to non-residents for EMS services provided by the District.

The Statement of Net Assets and the Statement of Activities reflect how Central Fire District did financially during 2007, within the limitations of 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, one 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 health is improving or deteriorating. When evaluating the District's financial condition, one 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 accounting system divides the District's activities into two types of activities:

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 Central Fire District under the Uniform Accounting Network accounting system are split into three categories: governmental, proprietary and fiduciary. Central Fire District does not have any proprietary or fiduciary funds.

Central Fire District
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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. Central Fire District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor 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 2007 compared to 2006 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$244,655	\$302,623
Total Assets	\$244,655	\$302,623
Net Assets		
Restricted for:		
Other Purposes	-	605
Unrestricted	244,655	302,018
Total Net Assets	\$244,655	\$302,623

As mentioned previously, net assets of governmental activities decreased by \$57,968 or 19.2 percent during 2007. The primary reasons contributing to the increase in cash balances are as follows:

- In 2006, Central Fire District was saving monies to provide for the purchase of the new EMS vehicle and for future capital expenditures. The year 2007 saw the delivery and payment of the new vehicle.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for governmental activities, business-type activities (Central Fire District has no business-type activities) and total primary government.

Central Fire District
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

(Table 2)

Changes in Net Assets

	Governmental	
	Activities	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$39,893	\$32,590
Operating Grants and Contributions	5,500	4,460
Total Program Receipts	<u>45,393</u>	<u>37,050</u>
General Receipts:		
Property and Other Local Taxes	354,912	333,922
Grants and Entitlements Not Restricted to Specific Programs	40,069	36,040
Interest	9,780	11,400
Miscellaneous	4,990	6,153
Total General Receipts	<u>409,751</u>	<u>387,515</u>
Total Receipts	<u>455,144</u>	<u>424,565</u>
Disbursements:		
General Government	56,136	43,260
Security of Persons and Property:	278,300	247,882
Capital Outlay	129,179	9,677
Principal Retirement	37,269	35,392
Interest and Fiscal Charges	12,228	14,104
Total Disbursements	<u>513,112</u>	<u>350,315</u>
Increase (Decrease) in Net Assets	(57,968)	74,250
Net Assets, January 1	<u>302,623</u>	<u>228,373</u>
Net Assets, December 31	<u>\$244,655</u>	<u>\$302,623</u>

In 2007, program receipts represent only 10.0 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 vehicles.

General receipts represent 90.2 and 87.7 percent of the District's total receipts in 2007 and 2006 respectively, and of this amount, over 86.6 percent in 2007 and 86.6 percent in 2006 are local taxes. State and federal grants and entitlements make up the majority of the balance of the District's general receipts (9.7 percent in 2007 and 9.3 percent in 2006). Other receipts are less significant and somewhat unpredictable revenue sources.

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

Security of Persons and Property are 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
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Governmental Activities

If one looks at the Statement of Activities on page 10, one 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 disbursement for governmental activities is for Public Safety, which accounts for 54.2 percent of all governmental disbursements. General Government also represents a significant cost, about 10.9 percent. In 2007, Capital Outlay (purchase of the new squad) accounted for 25.1 percent of all governmental disbursements. The next two columns of the Statement, entitled Program Cash Receipts, identify amounts paid by people who are directly charged for the services provided by Central Fire District, and grants received by Central Fire District that must be used to provide a specific service. 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 Governmental Activities Disbursements that are 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.

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
	2007	2007	2006	2006
General Government	\$56,136	(\$50,636)	\$43,260	(\$43,260)
Security of Persons and Property	\$278,300	(\$238,407)	\$247,882	(\$210,832)
Capital Outlay	129,179	(129,179)	9,677	(9,677)
Principal Retirement	37,269	(37,269)	35,392	(35,392)
Interest and Fiscal Charges	12,228	(12,228)	14,104	(14,104)
Total Expenses	\$513,112	(\$467,719)	\$350,315	(\$313,265)

The dependence upon property and income tax receipts is apparent as over 78.0 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$455,114 and disbursements of \$513,112. The greatest change within governmental funds occurred with the purchase of a new EMS vehicle. It resulted in a decrease in the fund balance of the General Fund by \$57,363. In the past, Central Fire District has been in a "catch up" mode, especially in the area of vehicle maintenance. Currently the fleet is in good condition and the maintenance costs have decreased or remained fairly static over the last two years. Although Central Fire District can absorb the cost of new vehicles due to careful planning, caution and controlled spending are vital to the District as we begin growing in services, operating out of Station 2, planning for equipment replacements and upgrades to Station 1, and increasing our staffing.

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 2007, the Government amended its General Fund budget several times to reflect changing circumstances.

Central Fire District
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Final receipts were budgeted at \$403,400 while actual receipts were \$449,644 and final disbursements were budgeted at \$537,830 while actual disbursements were \$509,182, which reflects greater than budgeted receipts, and lower than budgeted expenditures. The result is a decrease to the General fund balance of \$59,538.

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, 2007, the District's outstanding capital lease included \$215,229 in capital leases for equipment.

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 improve the service provided with continuing education and training of its personnel.

Contacting Central Fire District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, 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, PO Box 338, Smithville, Ohio, 44677.

Central Fire District, Wayne County

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 244,655</u>
<i>Total Assets</i>	<u><u>\$ 244,655</u></u>
Net Assets	
Unrestricted	<u>\$ 244,655</u>
<i>Total Net Assets</i>	<u><u>\$ 244,655</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, 2007

	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	\$ 56,136	-	\$ 5,500	\$ (50,636)
Public Safety	278,300	\$ 39,893	-	(238,407)
Capital Outlay	129,179	-	-	(129,179)
Debt Service				
Principal Retirement	37,269	-	-	(37,269)
Interest and Fiscal Charges	12,228	-	-	(12,228)
<i>Total Primary Government</i>	<u>\$ 513,112</u>	<u>\$ 39,893</u>	<u>\$ 5,500</u>	<u>(467,719)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				354,912
Grants and Entitlements not Restricted to Specific Programs				40,069
Interest				9,780
Miscellaneous				4,990
<i>Total General Receipts</i>				<u>409,751</u>
Change in Net Assets				(57,968)
<i>Net Assets Beginning of Year</i>				<u>302,623</u>
<i>Net Assets End of Year</i>				<u>\$ 244,655</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, 2007

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 244,655	\$ -	\$ 244,655
<i>Total Assets</i>	<i>\$ 244,655</i>	<i>\$ -</i>	<i>\$ 244,655</i>
Fund Balances			
Reserved:			
Reserved for Encumbrances	\$ 2,175	\$ -	\$ 2,175
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	242,480	-	242,480
<i>Total Fund Balances</i>	<i>\$ 244,655</i>	<i>\$ -</i>	<i>\$ 244,655</i>

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, 2007

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$ 354,912	-	\$ 354,912
Charges for Services	39,893	-	39,893
Intergovernmental	40,069	\$ 5,500	45,569
Interest	9,780	-	9,780
Other	4,990	-	4,990
<i>Total Receipts</i>	<u>449,644</u>	<u>5,500</u>	<u>455,144</u>
Disbursements			
Current:			
General Government	56,136	-	56,136
Public Safety	272,195	6,105	278,300
Capital Outlay	129,179	-	129,179
Debt Service:			
Principal Retirement	37,269	-	37,269
Interest and Fiscal Charges	12,228	-	12,228
<i>Total Disbursements</i>	<u>507,007</u>	<u>6,105</u>	<u>513,112</u>
<i>Net Change in Fund Balances</i>	(57,363)	(605)	(57,968)
<i>Fund Balances Beginning of Year</i>	<u>302,018</u>	<u>605</u>	<u>302,623</u>
<i>Fund Balances End of Year</i>	<u>\$ 244,655</u>	<u>\$ -</u>	<u>\$ 244,655</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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 322,700	\$ 322,700	\$ 354,912	\$ 32,212
Charges for Services	35,000	35,000	39,893	4,893
Intergovernmental	36,000	36,000	40,069	4,069
Interest	5,000	5,000	9,780	4,780
Other	800	4,700	4,990	290
<i>Total receipts</i>	<u>399,500</u>	<u>403,400</u>	<u>449,644</u>	<u>46,244</u>
Disbursements				
Current:				
General Government	61,202	62,452	56,136	6,316
Public Safety	293,231	295,881	274,370	21,511
Capital Outlay	130,000	130,000	129,179	821
Debt Service:				
Principal Retirement	37,269	37,269	37,269	-
Interest and Fiscal Charges	12,228	12,228	12,228	-
<i>Total Disbursements</i>	<u>533,930</u>	<u>537,830</u>	<u>509,182</u>	<u>28,648</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(134,430)	(134,430)	(59,538)	74,892
<i>Fund Balance Beginning of Year</i>	287,660	287,660	287,660	-
Prior Year Encumbrances Appropriated	<u>14,358</u>	<u>14,358</u>	<u>14,358</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 167,588</u>	<u>\$ 167,588</u>	<u>\$ 242,480</u>	<u>\$ 74,892</u>

See accompanying notes to the basic financial statements

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

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.

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

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 or business-type activity 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 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.

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 statements.

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

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 resolution, 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 appropriations 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 Fiscal Officer. 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 certificate of estimated resources in effect at the time final appropriations were passed by the District.

The appropriations 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 resolution 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

District records identify the purchase of specific investments by specific funds.

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 2007, the District invested in nonnegotiable certificates of deposit, and money market deposit accounts. The nonnegotiable certificates of deposit are reported at cost. The District's money market deposit accounts are recorded at the amount reported by *Charter One Bank, Key Bank* and *First National Bank* on December 31, 2007.

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 2007 were \$9,780.

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 at year-end.

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 7 and 8, 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

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 had no restricted net assets at year end. 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. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balances have been reserved for encumbrances.

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 – 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 are 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 \$2,175 for the general fund.

Note 4 – 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.

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 4 – Deposits and Investments (continued)

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).

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.

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.

The District had no investments at year-end.

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 5 – 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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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.

The full tax rate for all District operations for the year ended December 31, 2007, was \$2.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$ 128,836,800
Agriculture	18,159,590
Commercial/Industrial/Mineral	17,997,830
Public Utility Property	
Real	100,600
Personal	7,670,440
Tangible Personal Property	6,019,360
Total Assessed Value	<u>\$ 178,784,620</u>

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 6 – 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 2007 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	Aggregate
Automobile Liability	1,000,000	Per Occurrence
Law Enforcement Operations		Per Occurrence
Wrongful Acts	1,000,000	Per Occurrence
Property	624,000	Total Coverage
Personal Property	43,722	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 7 – 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, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. 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.

The 2007 member contribution rates were 9.5% for members in state and local classifications. The District's contribution rate for pension benefits for 2007 was 13.85%.

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 7 – Defined Benefit Pension Plan (continued)

The District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2006 and 2007, were \$1,640, \$1,718 and \$1,703, respectively. The full amount has been contributed for 2007.

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. Contributions are authorized by State statute. The District's contributions to the Fund for firefighters were \$16,820, \$16,951 and \$18,696, respectively, for the years ended December 31, 2005, 2006 and 2007. The full amount has been contributed for 2007.

Note 8 - 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 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.0 percent of covered payroll from January 1 through June 30, 2007 and 6.0 percent from July 1 through December 31, 2007 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, 2006, include a rate of return on investments of 6.5 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 at the projected wage inflation rate plus an additional factor ranging from 0.50% to 5.0% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.0% (the projected wage inflation rate).

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.

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 8 - Post employment Benefits (continued)

The number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits are estimated to be \$680. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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.

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 6.75 percent of covered payroll was applied to the post employment health care program during 2007. 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 2001, all retirees and survivors have monthly health care contributions.

The District's actual contributions for 2007 that were used to fund post employment benefits was \$5,254 for firefighters. The OP&F's total health care expense for the year ended December 31, 2006 (the latest information available) was \$120,373,722 which was net of member contributions of \$58,532,848. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, was 14,120 for police and 10,563 for firefighters.

Central Fire District
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 9 – Leases

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

<u>Year</u>	<u>Amount</u>
2008	\$ 49,497
2009	49,497
2010	49,497
2011	49,497
2012	49,494
Total Lease Payments	247,482
Interest Charges	(32,253)
Total Principal	<u>\$ 215,229</u>

Note 10 – Subsequent Events/Contingent Liabilities

Management believes there are no pending claims or lawsuits.

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614 W Superior Ave Ste 1242
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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**

Central Fire District
Wayne County
232 N Summit St
Smithville, Ohio 44677

To the Board of Trustees:

We have audited the financial statements of the Central Fire District, Wayne County, Ohio (District) as of and for the year ended December 31, 2007, and have issued our report thereon dated March 21, 2008, wherein we noted the District followed the cash basis of accounting. 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 basis of accounting such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Charles E. Harris & Associates, Inc.

March 21, 2008

STATUS OF PRIOR YEAR'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending December 31, 2006, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

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
JUNE 3, 2008**