



Mary Taylor, CPA  
Auditor of State



**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets – Modified Cash Basis – December 31, 2006 .....	9
Statement of Activities - Modified Cash Basis – For the Year Ended December 31, 2006.....	10
Statement of Modified Cash Basis Assets and Fund Balance – General Fund – December 31, 2006.....	11
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balance General Fund – For the Year Ended December 31, 2006.....	12
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – General Fund – For the Year Ended December 31, 2006.....	13
Statement of Net Assets – Modified Cash Basis – December 31, 2005 .....	14
Statement of Activities - Modified Cash Basis – For the Year Ended December 31, 2005.....	15
Statement of Modified Cash Basis Assets and Fund Balance – General Fund – December 31, 2005.....	16
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balance General Fund – For the Year Ended December 31, 2005.....	17
Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis – General Fund – For the Year Ended December 31, 2005.....	18
Notes to the Financial Statements .....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Cardinal Joint Fire District  
Mahoning County  
104 Lisbon Street  
Canfield, Ohio 44406

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities and the major fund of Cardinal Joint Fire District, Mahoning County, Ohio (the "Fire District"), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Fire District processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Fire District because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities and the major fund of the Cardinal Joint Fire District, Mahoning County, Ohio, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2006 and 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard 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 our report dated August 15, 2008, on our consideration of the Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

August 15, 2008

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
Unaudited**

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This discussion and analysis of Cardinal Joint Fire District, Mahoning County, (the Fire District) financial performance provides an overall review of the Fire District's financial activities for the years ended December 31, 2006 and December 31, 2005, within the limitations of the Fire District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Fire District's financial performance.

**Highlights**

Key highlights for 2006 and 2005 are as follows:

Net assets of governmental activities decreased \$44,054 as of December 31, 2006, or 16.5 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, the Fire District's only fund.

Net assets of governmental activities decreased \$121,248 as of December 31, 2005, or 31.3 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, the Fire District's only fund.

The Fire District's general receipts are primarily property taxes. These receipts represent 88 percent of the total cash received for governmental activities for the year ended December 31, 2006 and 86 percent of the total cash received for governmental activities for the year ended December 31, 2005. Property tax receipts for 2005 and 2006 changed very little compared to 2004 as development within Canfield Township and Canfield City has leveled off.

Increased costs in fuel (for apparatus) and heating suppliers nationally created an unexpected inflationary aspect of expenditure.

**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 Fire 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 the 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 Fire District as a way to segregate money whose use is restricted to a particular specified purpose. The Cardinal Joint Fire District has only one fund: General Fund.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The 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 Fire District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
Unaudited**

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**Basis of Accounting (Continued)**

As a result of using of this 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 the Fire District as a Whole**

The statement of net assets and the statement of activities reflect how the Fire District did financially during 2005 and 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Fire 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 goods or 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 Fire District's general receipts.

The AED Heartsaver program is one of refund/reimbursement and purchase, initiated in 2004 by Deputy Chief Hutchison. Canfield Township and Canfield City community is now deemed a "Heartsaver Community" due to the placement of life-saving automatic external defibrillators at various public locations, to include all Canfield City Police cars, baseball fields, the schools, football fields, Township Hall and the Canfield Fairgrounds, as well as other locations. The only way these items can be placed within the community is through the Fire District as the responsible implementer and through the protocol of the Fire District's physician, Dr. Ellis. Appropriate training of 10 people or more for each location must be completed as each AED is placed. As a result, this program has been treated as general receipts since some donations or reimbursements will be used to replace AED batteries, cabinets that also supply oxygen, provide pediatric pads and on-going training for individuals in the program. General receipts are all receipts not classified as program receipts.

These statements report the Fire 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 Fire District's financial health. Over time, increases or decreases in the Fire District's cash position is one indicator of whether the Fire District's financial health is improving or deteriorating. When evaluating the Fire District's financial condition, you should also consider other non-financial factors as well such as the Fire District's property tax base, the condition of the Fire District's capital assets and infrastructure, the extent of the Fire 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 Fire District has one type of activity:

Governmental activities. The Fire District's basic services are reported here as emergency medical service, property, life and fire protection. Property taxes finance the majority of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
Unaudited**

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**Reporting the Fire District's Most Significant Funds**

Fund financial statements provide detailed information about any government's major funds – not the government as a whole. Government entities establish separate funds to better manage its many 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 any government are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - All of the Fire District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Fire 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 Fire District's programs. The Fire District's significant governmental funds are presented on the financial statements in separate columns. The Fire District's only major governmental fund is the General Fund and the Fire District had no nonmajor funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – The Fire District has no Proprietary Funds.

Fiduciary Funds – The Fire District has no Fiduciary Funds.

**The Fire District as a Whole**

Table 1 provides a summary of the Fire District's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

**Net Assets**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash and Cash Equivalents	206,911	251,681
Investments	15,059	14,343
Total Assets	<u>221,970</u>	<u>266,024</u>
<b>Net Assets</b>		
Unrestricted	221,970	226,024
Total Net Assets	<u>221,970</u>	<u>226,024</u>

As mentioned previously, net assets of governmental activities decreased \$44,054 or 16.5 percent during 2006 and \$121,248 or 31.3 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Growth has slowed in property tax receipts. The Cardinal Joint Fire District realized only a 3% increase in property taxes received in 2005 over 2004. The Cardinal Joint Fire District realized only a 4% increase in property taxes received in 2006 over 2005.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
Unaudited**

- Increase of 14% in salaries and benefits based on current negotiated agreements. 2006 brought an increase in OPERS employee withholding as well as matching employer withholding.
- Legal costs (labor) were an added cost in challenging the full-time firefighters from forming a union separate and apart from the current negotiated agreement that includes part-time employees.
- The mainstay of the Fire District is its personnel and, of course, its apparatus. Daily wear and tear on equipment and the environment in which it is used can take its toll. Maintenance and upgrades are vital and necessary. As equipment ages, costs climb. The decision to invest in new apparatus versus maintaining aged equipment is a constant struggle. In some instances, updates are mandatory and the decision is made for the Fire District as the installation of headsets in apparatus proves (to meet OSHA standards).

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities.

	Governmental Activities 2006	Governmental Activities 2005
	<u>2006</u>	<u>2005</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	19,041	17,466
General Receipts:		
Property and Other Local Taxes	975,397	933,769
Grants and Entitlements Not Restricted to Specific Programs	109,780	116,779
Interest	5,775	5,088
Miscellaneous	15,242	21,407
Total General Receipts	<u>1,106,194</u>	<u>1,077,043</u>
Total Receipts	<u>1,125,235</u>	<u>1,094,509</u>
Disbursements:		
General Government	73,427	76,653
Security of Persons and Property:	926,431	933,725
Capital Outlay	62,110	98,807
Principal Retirement	101,112	98,315
Interest and Fiscal Charges	6,209	9,007
Total Disbursements	<u>1,169,289</u>	<u>1,216,507</u>
Sale of Fixed Assets	0	750
(Decrease) in Net Assets	(44,054)	(121,248)
Net Assets, January 1,	<u>266,024</u>	<u>387,272</u>
Net Assets, December 31,	<u>\$221,970</u>	<u>\$266,024</u>

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
Unaudited**

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Reserve for Encumbrances on December 31, 2006 and 2005 was \$0.

General receipts represent 98 percent of the Fire District's total receipts for 2006 and 2005. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Fire District and the support services provided for the other Fire District activities. These include the costs of the Board of Trustees, the Clerk/Treasurer, as well as internal services such as payroll and purchasing.

The dependence upon property tax receipts is apparent as 83 percent of governmental activities for 2006 and 77 percent of governmental activities for 2005 are supported through these general receipts.

**The Fire District's Funds**

General Fund receipts were less than disbursements by \$44,054 as of December 31, 2006 and \$121,248 as of December 31, 2005 indicating that the General Fund is in a deficit spending situation. It was the recommendation of the Clerk/Treasurer for several years that the carry-over balance was decreasing each year due to increased payroll and operating costs. Reductions have already been implemented for 2007 including cuts in training and major and minor equipment purchases. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

**General Fund Budgeting Highlights**

The 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 2006, the Fire District amended its General Fund budget to reflect changing circumstances.

Final disbursements were budgeted as of December 31, 2006 at \$1,252,529 while actual disbursements were \$1,169,289. Final disbursement were budgeted as of December 31, 2005 \$1,421,315 while actual disbursements were \$1,216,507. Although receipts surpassed expectations, appropriations were reduced. The Fire District kept spending very frugally to budgeted amounts as demonstrated.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2006, the Fire District's principal outstanding with Farmers National Bank for apparatus equipment was \$157,052. For further information regarding the Fire District's debt, refer to Note 10 to the basic financial statements.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005  
Unaudited**

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**Current Issues**

The challenge for all Fire Districts 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. Our newly prepared financial forecast predicts a deficit for 2007; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2006. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Fire District. We have reduced expenditures in areas where we felt it would have the least impact on services. A committee will be meeting with the Board of Trustees to further reduce expenditures so there might be a carry-over balance to meet payroll in the beginning of 2007.

**Contacting the Fire District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Fire District's finances and to reflect the Fire 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 Darla Brocker, Fiscal Officer, Cardinal Joint Fire District, 104 Lisbon St, Canfield, Ohio 44406.

**CARDINAL JOINT FIRE DISTRICT**  
**MAHONING COUNTY**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
Cash	\$206,911
Investments	<u>15,059</u>
<i>Total Assets</i>	<u><u>\$221,970</u></u>
<b>Net Assets</b>	
Unrestricted	<u>221,970</u>
<i>Total Net Assets</i>	<u><u>\$221,970</u></u>

See accompanying notes to the basic financial statements

**Cardinal Joint Fire District**  
**Mahoning County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Total
<b>Governmental Activities</b>				
General Government	\$73,427	\$7,675	(\$65,752)	(\$65,752)
Public Safety	926,431	11,366	(915,065)	(915,065)
Capital Outlay	62,110		(62,110)	(62,110)
Debt Service:				
Principal Retirement	101,112		(101,112)	(101,112)
Interest and Fiscal Charges	6,209		(6,209)	(6,209)
<b>Total Governmental Activities</b>	<b>\$1,169,289</b>	<b>\$19,041</b>	<b>(\$1,150,248)</b>	<b>(\$1,150,248)</b>
		<b>General Receipts</b>		
		Property Taxes		975,397
		Grants and Entitlements not Restricted to Specific Programs		109,780
		Interest		5,775
		Miscellaneous		15,242
		<b>Total General Receipts</b>		<b>1,106,194</b>
		Change in Net Assets		(44,054)
		<i>Net Assets Beginning of Year</i>		<u>266,024</u>
		<i>Net Assets End of Year</i>		<u><u>\$221,970</u></u>

See accompanying notes to the basic financial statements

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balance  
General Fund  
December 31, 2006*

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	<u>General</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
Cash	\$206,911
Investments	15,059
<i>Total Assets</i>	<u><u>\$221,970</u></u>
 <b>Fund Balances</b>	
Unreserved:	
Undesignated, Reported in:	
General Fund	221,970
<i>Total Fund Balance</i>	<u><u>\$221,970</u></u>

See accompanying notes to the basic financial statements

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balance  
General Fund  
For the Year Ended December 31, 2006*

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	<u>General</u>
<b>Receipts</b>	
Property and Other Local Taxes	\$975,397
Charges for Services	11,366
Licenses, Permits and Fees	7,675
Intergovernmental	109,780
Interest	5,775
Other	15,242
	<hr/>
<i>Total Receipts</i>	1,125,235
	<hr/>
<b>Disbursements</b>	
Current:	
General Government	73,427
Public Safety	926,431
Capital Outlay	62,110
Debt Service:	
Principal Retirement	101,112
Interest and Fiscal Charges	6,209
	<hr/>
<i>Total Disbursements</i>	1,169,289
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<i>Excess of Receipts Over (Under) Disbursements</i>	(44,054)
	<hr/>
<i>Net Change in Fund Balance</i>	(44,054)
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<i>Fund Balance Beginning of Year</i>	266,024
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<i>Fund Balance End of Year</i>	\$221,970
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See accompanying notes to the basic financial statements

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts			(Optional)
				Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
<b>0</b>				
Property and Other Local Taxes	\$ 919,000	\$ 975,397	\$ 975,397	\$ -
Charges for Services	8,000	11,366	11,366	-
Licenses, Permits and Fees	6,500	6,920	7,675	755
Intergovernmental	119,881	109,780	109,780	-
Earnings on Investments	4,400	5,284	5,775	491
Miscellaneous	9,000	14,990	15,242	252
<i>Total receipts</i>	<u>1,066,781</u>	<u>1,123,737</u>	<u>1,125,235</u>	<u>1,498</u>
<b>Disbursements</b>				
Current:				
General Government	\$ 86,199	\$ 85,194	\$ 73,427	\$ 11,767
Public Safety	1,021,254	981,010	926,431	54,579
Capital Outlay	103,688	78,004	62,110	15,894
Debt Service:				
Principal Retirement	101,169	101,112	101,112	-
Interest and Fiscal Charges	6,152	6,209	6,209	-
<i>Total Disbursements</i>	<u>1,318,462</u>	<u>1,251,529</u>	<u>1,169,289</u>	<u>82,240</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(251,681)</u>	<u>(127,792)</u>	<u>(44,054)</u>	<u>83,738</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	<u>\$ -</u>	<u>\$ (901)</u>	<u>\$ -</u>	<u>\$ 901</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ -</u>	<u>\$ (901)</u>	<u>\$ -</u>	<u>\$ 901</u>
<i>Net Change in Fund Balance</i>	(251,681)	(128,693)	(44,054)	84,639
<i>Fund Balance Beginning of Year</i>	\$ 266,024	\$ 266,024	\$ 266,024	\$ -
Prior Year Encumbrances Appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Fund Balance End of Year</i>	<u>\$ 14,343</u>	<u>\$ 137,331</u>	<u>\$ 221,970</u>	<u>\$ 84,639</u>

See accompanying notes to the basic financial statements

**CARDINAL JOINT FIRE DISTRICT**  
**MAHONING COUNTY**  
*Statement of Net Assets - Modified Cash Basis*  
*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
Cash	\$251,681
Investments	<u>14,343</u>
<i>Total Assets</i>	<u><u>\$266,024</u></u>
<b>Net Assets</b>	
Unrestricted	<u>266,024</u>
<i>Total Net Assets</i>	<u><u>\$266,024</u></u>

See accompanying notes to the basic financial statements

**Cardinal Joint Fire District**  
**Mahoning County**  
*Statement of Activities - Modified Cash Basis*  
*For the Year Ended December 31, 2005*

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	Cash Disbursements	Charges for Services and Sales	Governmental Activities	Total
<b>Governmental Activities</b>				
General Government	\$76,653	\$7,250	(\$69,403)	(\$69,403)
Public Safety	933,725	10,216	(923,509)	(923,509)
Capital Outlay	98,807	-	(98,807)	(98,807)
Debt Service:				
Principal Retirement	98,315	-	(98,315)	(98,315)
Interest and Fiscal Charges	9,007	-	(9,007)	(9,007)
<i>Total Governmental Activities</i>	<u>\$1,216,507</u>	<u>\$17,466</u>	<u>(\$1,199,041)</u>	<u>(\$1,199,041)</u>
		<b>General Receipts</b>		
		Property Taxes		933,769
		Grants and Entitlements not Restricted to Specific Programs		116,779
		Sale of Capital Assets		750
		Interest		5,088
		Miscellaneous		21,407
		<i>Total General Receipts</i>		1,077,793
		Change in Net Assets		(121,248)
		<i>Net Assets Beginning of Year</i>		<u>387,272</u>
		<i>Net Assets End of Year</i>		<u>\$266,024</u>

See accompanying notes to the basic financial statements

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balance  
General Fund  
December 31, 2005*

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	<u>General</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	
Cash	\$251,681
Investments	<u>14,343</u>
<i>Total Assets</i>	<u><u>\$266,024</u></u>
 <b>Fund Balances</b>	
Unreserved:	
Undesignated, Reported in:	
General Fund	<u>266,024</u>
<i>Total Fund Balance</i>	<u><u>\$266,024</u></u>

See accompanying notes to the basic financial statements

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balance  
General Fund  
For the Year Ended December 31, 2005*

	<u>General</u>
<b>Receipts</b>	
Property and Other Local Taxes	\$933,769
Charges for Services	10,216
Licenses, Permits and Fees	7,250
Intergovernmental	116,779
Interest	5,088
Other	21,407
	<hr/>
<i>Total Receipts</i>	1,094,509
	<hr/>
<b>Disbursements</b>	
Current:	
General Government	76,653
Public Safety	933,725
Capital Outlay	98,807
Debt Service:	
Principal Retirement	98,315
Interest and Fiscal Charges	9,007
	<hr/>
<i>Total Disbursements</i>	1,216,507
	<hr/>
<i>Excess of Receipts Over (Under) Disbursements</i>	(121,998)
	<hr/>
<b>Other Financing Sources (Uses)</b>	
Sale of Capital Assets	750
	<hr/>
<i>Total Other Financing Sources (Uses)</i>	750
	<hr/>
<i>Net Change in Fund Balance</i>	(121,248)
	<hr/>
<i>Fund Balance Beginning of Year</i>	387,272
	<hr/>
<i>Fund Balance End of Year</i>	\$266,024
	<hr/> <hr/>

See accompanying notes to the basic financial statements

**CARDINAL JOINT FIRE DISTRICT  
MAHONING 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			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 899,000	\$ 899,000	\$ 933,769	\$ 34,769
Charges for Services	7,500	7,500	10,216	2,716
Licenses, Permits and Fees	6,500	6,500	7,250	750
Intergovernmental	113,500	113,500	116,779	3,279
Earnings on Investments	4,500	4,500	5,088	588
Miscellaneous	12,000	18,418	21,407	2,989
<i>Total receipts</i>	<u>1,043,000</u>	<u>1,049,418</u>	<u>1,094,509</u>	<u>45,091</u>
<b>Disbursements</b>				
Current:				
General Government	\$ 107,082	\$ 107,082	\$ 76,653	\$ 30,429
Public Safety	1,014,208	1,020,626	933,725	86,901
Capital Outlay	186,285	186,285	98,807	87,478
Debt Service:				
Principal Retirement	98,315	98,315	98,315	-
Interest and Fiscal Charges	9,007	9,007	9,007	-
<i>Total Disbursements</i>	<u>1,414,897</u>	<u>1,421,315</u>	<u>1,216,507</u>	<u>204,808</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(371,897)</u>	<u>(371,897)</u>	<u>(121,998)</u>	<u>249,899</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Uses	\$ -	\$ -	\$ 750	\$ 750
<i>Total Other Financing Sources (Uses)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750</u>	<u>\$ 750</u>
<i>Net Change in Fund Balance</i>	(371,897)	(371,897)	(121,248)	250,649
<i>Fund Balance Beginning of Year</i>	\$ 387,272	\$ 387,272	\$ 387,272	\$ -
Prior Year Encumbrances Appropriated	\$ -	\$ -	\$ -	\$ -
<i>Fund Balance End of Year</i>	<u>\$ 15,375</u>	<u>\$ 15,375</u>	<u>\$ 266,024</u>	<u>\$ 250,649</u>

See accompanying notes to the basic financial statements

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**Note 1 – Reporting Entity**

The Cardinal Joint Fire District, Canfield, Ohio (Mahoning County), is a body politic and corporate established in 1989 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Fire District is directed by a publicly appointed five-member Board of Trustees. The Fire District also has an appointed Clerk/Treasurer.

The reporting entity is comprised of the primary government.

**Primary Government**

The Cardinal Joint Fire District consists of the geographical area of Canfield Township and the City of Canfield. The Fire District provides protection of life, property and the environment through its Emergency Medical and Fire Protection Services.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified 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 modified 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 Fire District's accounting policies.

**A. Basis of Presentation**

The Fire 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 Fire District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Fire District that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Fire District at year end. The statement of activities compares disbursements with program receipts for each of the Fire 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 Fire 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 modified cash basis or draws from the Fire District's general receipts.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Fund Financial Statements

During the year, the Fire District segregates transactions related to certain Fire 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 Township 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. At this time the Cardinal Joint Fire District has only one fund – the General Fund.

B. Fund Accounting

The Fire 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. As of the years ended December 31, 2006 and 2005, the Fire District has only one fund which is the General fund and is classified as a governmental fund.

Governmental Funds

The Fire District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Fire 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 Fire District for any purpose provided it is expended or transferred according to the general laws of Ohio.

There are no other governmental funds of the Fire District which would account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Fire District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Fire 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. Any such modifications made by the Fire District are described in the appropriate section in this note.

As a result of the use of this modified 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 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 Fire District may appropriate.

The appropriations resolution is the Fire District's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established at the fund, department, and object level for the general fund. All major capital purchases must be approved by the Board of Trustees.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fire District Clerk/Treasurer. 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 Fire 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 the General 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 Board of Trustees during the year.

**E. Cash and Investments**

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2006 and 2005, the Fire District invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to the Fire District’s General Fund according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 were \$5,059 and \$4,655 respectively from the General Checking/Sweep Account held at Farmers National Bank. Interest receipts credited to the General Fund during 2006 and 2005 from STAR Ohio were \$716 and \$433 respectively.

**F. 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.

**G. 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 Fire District’s modified cash basis of accounting.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

H. Employer Contributions to Cost-Sharing Pension Plans

The Fire 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 postretirement health care benefits.

I. Long-Term Obligations

The Fire District's modified 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 an other financing source nor a capital outlay expenditure are reported at inception. Lease payments would be reported when paid.

J. 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 Fire District currently has no net assets restricted for other purposes.

The Fire 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.

**Note 3 – Change in Basis of Accounting**

Last year the Fire District reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. As of December 31, 2005 the Fire District has implemented the modified 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. The Fire District has only one major fund and no nonmajor funds. The transition from the regulatory basis of accounting to the modified cash basis of accounting generated no changes to fund balance/equity as previously reported at December 31, 2004.

**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 modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

**Note 5 – Deposits and Investments**

Deposits

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

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

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**Note 5 – Deposits and Investments (Continued)**

Inactive deposits are public deposits that the Board 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 Fire 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 Fire 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.

Custodial credit risk is the risk that in the event of bank failure, the Fire District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2006, \$147,625 of the Fire District's bank balance of \$247,625, and at December 31, 2005, \$217,230 of the Fire District's bank balance of \$317,230 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 Fire District's name.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Note 5 – Deposits and Investments (Continued)**

The Fire 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.

As of December 31, 2006 and 2005, the Fire District had the following investments:

	Carrying Value	Investment Maturities (in Years)			
Investment Type	Carrying Value	Less than 1	1-2	3-5	More than 5
STAR Ohio - 2006	\$15,059	Average			
STAR Ohio - 2005	14,343	Average			
STAR Ohio - 2006	\$15,059	\$15,059	\$	\$	\$
STAR Ohio - 2005	14,343	14,343			

Interest rate risk arises because the fair value of investments changes as interest rates change. The Fire District does not have an investment policy which addresses interest rate risk beyond the requirements of State statute.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Fire District's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fire District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fire District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Fire District. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date.

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.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**Note 6 – Property Taxes (Continued)**

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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes.

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 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005.

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 first 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 years ended December 31, 2006 and 2005 was \$3.15 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

Real Property	<u>2006</u>	<u>2005</u>
Residential/Agricultural	\$ 389,213,460	\$ 351,957,260
Commercial/Industrial/Mineral	56,738,620	51,037,040
Personal Property/Public Utility	8,470,400	9,239,410
Tangible Personal Property	<u>11,681,985</u>	<u>15,518,540</u>
Total Assessed Value	\$ <u>466,104,465</u>	\$ <u>427,752,250</u>

**Note 7 – Risk Management**

The Fire 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 2006 and 2005, Pro Risk Solutions was retained as consultant in obtaining coverage for all liability and risk coverage, as well as bond for the District's Board of Trustees, Clerk/Treasurer and management. Coverage also covers inland marine. The entire portfolio is available for review at Station I, 104 Lisbon St, Canfield OH.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**Note 7 – Risk Management (Continued)**

There were no reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

Provident Insurance has been retained as an accident policy on all employees of the Fire District should disability or death occurs as a direct result of the Fire District.

The Fire 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 System administers and pays all claims.

**Note 8 – Defined Benefit Pension Plan**

**Ohio Public Employees Retirement System**

The Fire 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, 2006, the members of all three plans were required to contribute 9.0 percent of their annual covered salaries. The Fire District's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Fire District's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$14,630, \$18,934, and \$20,141 respectively. The full amount has been contributed for 2006, 2005 and 2004.

**Ohio Police and Fire Pension Fund**

The Fire 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.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**Note 8 – Defined Benefit Pension Plan (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Fire District is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Fire District's contributions to the Fund for firefighters and the Fire Chief were \$78,756 and \$27,157 for the year ended December 31, 2006, \$63,655 and \$26,366 for the year ended December 31, 2005 and \$63,116 and \$25,827 for the year ended December 31, 2004. The full amount has been contributed for 2006, 2005 and 2004.

**Note 9 -Postemployment Benefits**

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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 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 costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$14,670. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**CARDINAL JOINT FIRE DISTRICT  
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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**Note 9 -Postemployment Benefits (Continued)**

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 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 police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. 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 2006 that were used to fund postemployment benefits were \$78,756 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005 (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 10,537 for firefighters.

**Note 10 – Promissory Note Payable**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Promissory Note	157,052	2.78%

This promissory note was issued to retire the remaining balance of a previously issued promissory note and to purchase a rescue/pumper apparatus. All note proceeds had been spent at December 31, 2006. The promissory note is backed by the full faith and credit of the Fire District and matures July 1, 2008.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Promissory Note
2007	107,227
2008	80,420
Total	\$187,647



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Cardinal Joint Fire District  
Mahoning County  
104 Lisbon Street  
Canfield, Ohio 44406

To the Board of Trustees:

We have audited the financial statements of the governmental activities and the major fund of Cardinal Joint Fire District, Mahoning County, (the "Fire District") as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Fire District's basic financial statements and have issued our report thereon dated August 15, 2008. We noted the Fire District uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Fire District because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Fire District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Fire District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Fire District's internal control will not prevent or detect a material financial statement misstatement.

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

### Compliance and Other Matters

As part of reasonably assuring whether the Fire District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

August 15, 2008



**Mary Taylor, CPA**  
Auditor of State

**CARDINAL JOINT FIRE DISTRICT**

**MAHONING 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  
SEPTEMBER 11, 2008**