

***VALLEY FIRE DISTRICT
SUMMIT COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

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



**Auditor of State
Betty Montgomery**

Board of Trustees
Valley Fire District
1775 Main Street
Peninsula, Ohio 44264

We have reviewed the *Report of Independent Accountants* of the Valley Fire District, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 31, 2006

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**VALLEY FIRE DISTRICT
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 & 2004**

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REPORT OF INDEPENDENT ACCOUNTANTS

Valley Fire District
Summit County
1775 Main Street
Peninsula, Ohio 44264

We have audited the accompanying financial statements of the Valley Fire District, Summit County, Ohio, (the District), as of and for the years ended December 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the District, as of December 31, 2005 and 2004, and the combined receipts, disbursements, and changes in fund cash balances for the years then ended in conformity with the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be read in conjunction with this report in considering the results of our audit.

Charles E. Harris & Associates, Inc.

September 14, 2006

**VALLEY FIRE DISTRICT
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 230,259	\$ -	\$ 91,950	\$ 322,209
Charges for Services	36,575	-	-	36,575
Intergovernmental	12,400	111,474	-	123,874
Earnings on Investments	15,675	-	-	15,675
Total Cash Receipts	<u>294,909</u>	<u>111,474</u>	<u>91,950</u>	<u>498,333</u>
Cash Disbursements:				
Current:				
General Government	31,708	-	-	31,708
Public Safety	273,265	-	4,910	278,175
Other	851	-	7,359	8,210
Capital Outlay	14,337	-	5,432	19,769
Total Cash Disbursements	<u>320,161</u>	<u>-</u>	<u>17,701</u>	<u>337,862</u>
Total Receipts Over/(Under) Disbursements	(25,252)	111,474	74,249	160,471
Fund Cash Balances, January 1	\$ <u>117,909</u>	-	\$ <u>456,918</u>	\$ <u>574,827</u>
Fund Cash Balance, December 31	\$ <u><u>92,657</u></u>	<u><u>111,474</u></u>	\$ <u><u>531,167</u></u>	\$ <u><u>735,298</u></u>
Reserve for Encumbrances, December 31	\$ <u><u>-</u></u>	<u><u>-</u></u>	\$ <u><u>102,748</u></u>	\$ <u><u>102,748</u></u>

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

**VALLEY FIRE DISTRICT
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 235,730	\$ -	\$ 94,224	\$ 329,954
Charges for Services	40,761	-	-	40,761
Intergovernmental	12,825	4,958	-	17,783
Earnings on Investments	5,553	-	-	5,553
Donations	145	-	-	145
Miscellaneous	1,842	-	-	1,842
Total Cash Receipts	<u>296,856</u>	<u>4,958</u>	<u>94,224</u>	<u>396,038</u>
Cash Disbursements:				
Current:				
General Government	31,355	-	-	31,355
Public Safety	255,461	-	-	255,461
Other	499	3,750	12,358	16,607
Capital Outlay	713	1,208	18,087	20,008
Total Cash Disbursements	<u>288,028</u>	<u>4,958</u>	<u>30,445</u>	<u>323,431</u>
Total Receipts Over/(Under) Disbursements	8,828	-	63,779	72,607
Fund Cash Balances, January 1	<u>\$ 109,081</u>	<u>-</u>	<u>\$ 393,139</u>	<u>\$ 502,220</u>
Fund Cash Balance, December 31	<u>\$ 117,909</u>	<u>-</u>	<u>\$ 456,918</u>	<u>\$ 574,827</u>
Reserve for Encumbrances, December 31	<u>\$ 1,717</u>	<u>-</u>	<u>\$ 721</u>	<u>\$ 2,438</u>

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

**VALLEY FIRE DISTRICT
SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Valley Fire District is a body politic and corporate established for the purpose of exercising 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. One board member is appointed by each political subdivision within the District. Those subdivisions are Boston Township and the Village of Peninsula. The third Board member is a citizen of the District who is selected by the two appointed members. The District provides fire protection and EMS services within the District and by contract to areas outside the District.

The District's management believes these financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Valley Fire District prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**VALLEY FIRE DISTRICT
SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING

The District maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restriction associated with each class of funds is as follows:

Governmental Fund Type:

General Fund: To account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund: To account for the proceeds of specific sources that are legally restricted to disbursements for specific purposes.

Grant Fund – This fund receives grants from FEMA and the county for various projects and purchase of communications equipment.

Capital Projects Fund: To account for receipts that are restricted for the acquisition or construction of major capital projects. The District has the following Capital Projects Fund:

Levy- Building and Equipment Fund – This fund receives levy monies to be used for the refurbishment of the Firehouse, new facilities construction, and the purchase and maintenance of the fire fighting equipment.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the District Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the District. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the District. The certificate is approved by the county budget commission and sent to the District Clerk by September 1.

**VALLEY FIRE DISTRICT
SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

Prior to December 31, the District must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2005 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

**VALLEY FIRE DISTRICT
SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Property, Plant and Equipment

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

2. CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2005 and 2004 follows:

	2004	2005
Demand Deposits	\$ 79,283	\$ 194,079
STAR Ohio	495,544	541,219
Total Deposits and Investments	\$ 574,827	\$ 735,298

Deposits: Deposits are either: (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the District or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

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

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

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

**VALLEY FIRE DISTRICT
SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 is as follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 273,308	\$ 296,856	\$ 23,548
Special Revenue	-	4,958	4,958
Capital Projects	89,449	94,224	4,775
Total	<u>\$ 362,757</u>	<u>\$ 396,038</u>	<u>\$ 33,281</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures and Encumbrances	Variance
General Fund	\$ 315,000	\$ 289,745	\$ 25,255
Special Revenue	-	4,958	(4,958)
Capital Projects	100,000	31,166	68,834
Total	<u>\$ 415,000</u>	<u>\$ 325,869</u>	<u>\$ 89,131</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 274,552	\$ 294,909	\$ 20,357
Special Revenue	-	111,474	111,474
Capital Projects	93,826	91,950	(1,876)
Total	<u>\$ 368,378</u>	<u>\$ 498,333</u>	<u>\$ 129,955</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures and Encumbrances	Variance
General Fund	\$ 320,000	\$ 320,161	\$ (161)
Special Revenue	-	-	-
Capital Projects	30,000	120,449	(90,449)
Total	<u>\$ 350,000</u>	<u>\$ 440,610</u>	<u>\$ (90,610)</u>

VALLEY FIRE DISTRICT
SUMMIT COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

5. DEFINED BENEFIT PENSION PLAN

The District's fire fighters and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For both years, OPERS member employees contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participant's salaries. The District has paid all contributions required through December 31, 2004 and 2005.

6. RISK MANAGEMENT

The District has obtained Commercial Insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

7. LEGAL COMPLIANCE

The District did not properly certify the availability of funds for 15 out of 60 non-payroll expenditures contrary to Section 5705.41(D) of the Ohio Revised Code.

The District expended money, including encumbrances, in excess of appropriations in the Capital Projects – Levy, Building and Equipment Fund by \$90,449 and in the General Fund by \$161 contrary to Section 5705.41(B) of the Ohio Revised Code.

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS/RELATED PARTY

Management believes there are no pending claims or lawsuits.

The Fiscal Officer for the period March 6, 2006 through May 31, 2006 was also an owner of Burda Books, a company that processes payroll for the District. The District paid \$999 during that time period.

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

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

The Board of Trustees
Valley Fire District, Summit County
1775 Main Street
Peninsula, Ohio 44264

We have audited the financial statements of the Valley Fire District, Summit County, Ohio (the District), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 14, 2006, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated September 14, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2005-VFD-001 and 002. We also noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 14, 2006.

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

Charles E. Harris and Associates, Inc.

September 14, 2006

VALLEY FIRE DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

Finding Number: 2005-VFD-001 – Non-Compliance Citation

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the District.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

VALLEY FIRE DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS – (CONTINUED)
DECEMBER 31, 2005 AND 2004

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

Finding Number: 2005-VFD-001 – (continued)

The District did not properly certify the availability of funds for 15 of 60 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

The District issued Then and Now Certificates to assist in complying with the above requirement. However, 12 of these Then and Now Certificates exceeded \$3,000 and they were certified only by the Clerk and did not have the affirmation of District Trustees contrary to ORC Section 5705.41(D)(1) and 5705.41(D)(3).

To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Clerk certify the availability of funds prior to the commitment for the expenditure of District money. We also recommend that Then and Now Certificates exceeding \$3,000 be affirmed by the District Trustees.

Management agrees and will comply. All purchase orders and disbursements are currently being approved by the Valley Fire District Board of Trustees.

Finding Number: 2005-VFD-002 – Non-Compliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts, at the legal level of control which is the object level for all funds. The following funds had total expenditures plus encumbrances expended money in excess of appropriations:

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Funds	Appropriation Authority	Budgetary Expenditures and Encumbrances	Variance
General Fund	\$ 320,000	\$ 320,161	\$ (161)
Capital Projects Fund:			
Levy- Building & Equipment	30,000	120,449	(90,449)
Total	\$ 350,000	\$ 440,610	\$ (90,610)

VALLEY FIRE DISTRICT
SUMMIT COUNTY, OHIO
SCHEDULE OF FINDINGS – (CONTINUED)
DECEMBER 31, 2005 AND 2004

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

Finding Number: 2005-VFD-002 – (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund	Appropriation Authority	Budgetary Expenditures and Encumbrances	Variance
Special Revenue:			
Grant Fund	\$ -	\$ 4,958	\$ (4,958)
Total	\$ -	\$ 4,958	\$ (4,958)

Since these funds were cited at the fund level, the legal levels of control violations were not disclosed.

We recommend the Board and the Clerk compare expenditures to appropriations periodically. If additional appropriations are needed, then the Board and the Clerk should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

The new Clerk (hereafter referred to as “the Clerk”), who assumed the former clerk’s job on June 1, 2006, noted that this problem continued into 2006. The Clerk documented the appropriation discrepancies in the minutes. The Clerk obtained authorization for and implemented UAN accounting software for the purpose of bringing Valley Fire District into compliance. Using UAN software, appropriations and expenditures are currently being handled properly.

VALLEY FIRE DISTRICT
SUMMIT COUNTY, OHIO
For the Years Ended December 31, 2005 and 2004

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	Ohio Rev. Code Section 5705.41(D) , requires the District's fiscal officer to certify the availability of funds prior to any obligation. During 2004 and 2005, the District did not certify the availability of funds prior to commitments being made.	No	Not corrected. Issued as finding 2005-VFD-001



**Auditor of State
Betty Montgomery**

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VALLEY FIRE DISTRICT

SUMMIT 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
NOVEMBER 14, 2006**