

***SPENCER COMMUNITY FIRE DISTRICT
MEDINA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

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



**Auditor of State
Betty Montgomery**

Board of Trustees
Spencer Community Fire District
Spencer, Ohio

We have reviewed the *Report of Independent Accountants* of Spencer Community Fire District, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

BETTY MONTGOMERY
Auditor of State

November 22, 2005

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**SPENCER COMMUNITY FIRE DISTRICT
MEDINA COUNTY, OHIO
AUDIT REPORT
For the Years Ended December 31, 2004 and 2003**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Spencer Community Fire District
Medina County, Ohio

We have audited the accompanying financial statements of the Spencer Community Fire District, Medina County, Ohio (the District) as of and for the years ended December 31, 2004 and 2003, 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 Controller General of the United States. Those standards require that we plan and perform the audit 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 described more fully in Note 1, the District has presented these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 for the year ended December 31, 2004 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Spencer Community Fire District, Medina County, as of December 31, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 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 our report dated September 12, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.
September 12, 2005

**SPENCER COMMUNITY FIRE DISTRICT
MEDINA COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	<u>2003</u>	<u>2004</u>
<u>Cash Receipts:</u>		
Local Taxes	\$ 139,038	\$ 147,889
Intergovernmental	14,622	15,719
Charges for Services	-	8,201
Earnings on Investments	1,769	1,662
Donations	-	49,000
Miscellaneous	<u>1,106</u>	<u>7,724</u>
Total Cash Receipts	<u>156,535</u>	<u>230,195</u>
<u>Cash Disbursements:</u>		
Security of Persons and Property	65,900	81,370
General Government	6,963	6,084
Other	23,703	17,896
Debt Service:		
Redemption of Principal	47,371	56,704
Interest and Fiscal Charges	5,494	1,707
Capital Outlay	<u>2,849</u>	<u>30,678</u>
Total Cash Disbursements	<u>152,280</u>	<u>194,439</u>
Total Cash Receipts Over/(Under) Cash Disbursements	4,255	35,756
Beginning Fund Balance, January 1	<u>107,012</u>	<u>111,267</u>
Ending Fund Balance, December 31	<u>\$ 111,267</u>	<u>\$ 147,023</u>

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

**SPENCER COMMUNITY FIRE DISTRICT
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Spencer Community Fire District, Medina County, Ohio (the District) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is directed by an appointed four member Board of Trustees. The District provides fire protection and rescue services to citizens of the District.

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

B. Basis of Accounting

These financial statements follow 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

The District maintains all of its cash in an interest-bearing checking and savings account.

D. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use. The District classifies its fund as a General Fund. This fund is used to account for all financial resources of the District.

E. Budgetary Process

The Ohio Revised Code requires the General Fund be budgeted annually.

1. Appropriations

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

**SPENCER COMMUNITY FIRE DISTRICT
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

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. DEPOSITS

The District maintains a checking and a savings account. The carrying amount of cash at December 31 was as follows:

	2004	2003
Demand deposits	\$ 147,023	\$ 111,267

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Budget vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$ 159,800	\$ 230,195	\$ 70,395

**SPENCER COMMUNITY FIRE DISTRICT
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

3. BUDGETARY ACTIVITY (Continued)

2004 Budget vs. Actual Budgetary Basis Expenditures

Fund Type	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 239,430	\$ 194,439	\$ 44,991

2003 Budgeted vs Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 154,200	\$ 156,535	\$ 2,335

2003 Budget vs. Actual Budgetary Basis Expenditures

Fund Type	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 171,764	\$ 152,280	\$ 19,484

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. CONTINGENT LIABILITIES

The Township may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**SPENCER COMMUNITY FIRE DISTRICT
MEDINA COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Balance 1/1/03	Retired	Balance 12/31/04
2001 Pumper Truck 6.75%	\$ 51,120	\$ 51,120	\$ -
2002 Rescue Squad Equipment 6.75%	52,955	52,955	-
Total	<u>\$ 104,075</u>	<u>\$ 104,075</u>	<u>\$ -</u>

In 2001, the District obtained an equipment loan to purchase a Pumper/Truck for use in providing fire protection. This loan is paid in full at December 31, 2004.

In 2002, the District obtained an equipment loan to purchase a Rescue Squad for use in providing emergency medical services (EMS). The loan is paid in full at December 31, 2004.

7. RETIREMENT SYSTEM

The District's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. 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 2004 and 2003, members of PERS contributed 8.5% of their gross salaries. The District contributed an amount equal to 13.55% of participants' gross salaries for 2004 and 2003. The District has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Spencer Community Fire District
Medina County, Ohio

We have audited the financial statements of Spencer Community Fire District, Medina County, Ohio (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 12, 2005, wherein we noted the District prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the 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.

COMPLIANCE AND OTHER MATTERS

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

However, we noted certain matters that we reported to the management of the Spencer Community Fire District, Medina County, Ohio, in a separate letter dated September 12, 2005.

This report is intended solely for the information and use of the finance committee, management, and 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 & Associates, Inc.
September 12, 2005

**SPENCER COMMUNITY FIRE DISTRICT
 MEDINA COUNTY, OHIO
 For the Years Ended December 31, 2003 & 2004**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-30952-001	Ohio Rev. Code Section 5705.41(B), disbursements exceeded appropriations.	No	Partially corrected, moved to management letter.



**Auditor of State
Betty Montgomery**

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SPENCER COMMUNITY FIRE DISTRICT

MEDINA 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
DECEMBER 6, 2005**