



**Auditor of State  
Betty Montgomery**



VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Agency Fund - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Agency Fund- For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	19

**This page intentionally left blank.**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Valleyview  
Franklin County  
432 North Richardson Avenue  
Columbus, Ohio 43204

To the Village Council:

We have audited the accompanying financial statements of the Village of Valleyview, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Village'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.

The Village financial transactions were processed using 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 conduct the audit of the Village 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting 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 combined fund cash balances and reserves for encumbrances of the Village of Valleyview, Franklin County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

This report is intended solely for the information and use of the finance committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 8, 2004

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$68,707	\$66,182	\$134,889
Intergovernmental Receipts	90,530	24,818	115,348
Fines, Licenses, and Permits	20,779	1,379	22,158
Earnings on Investments	-	148	148
Miscellaneous	1,240	654	1,894
	<u>181,256</u>	<u>93,181</u>	<u>274,437</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	32,550	69,098	101,648
Public Health Services	1,573	-	1,573
Leisure Time Activities	320	-	320
Basic Utility Services	7,174	-	7,174
Transportation		7,287	7,287
General Government	125,904	15,034	140,938
Debt Service:			
Principal Payments		9,830	9,830
	<u>167,521</u>	<u>101,249</u>	<u>268,770</u>
Total Receipts Over/(Under) Disbursements	<u>13,735</u>	<u>(8,068)</u>	<u>5,667</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In	-	13,885	13,885
Advances-In	1,000	1,000	2,000
Transfers-Out	(13,885)	-	(13,885)
Advances-Out	(1,000)	(1,000)	(2,000)
	<u>(13,885)</u>	<u>13,885</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(150)	5,817	5,667
Fund Cash Balances, January 1	<u>(10,863)</u>	<u>102,535</u>	<u>91,672</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$11,013)</u></b>	<b><u>\$108,352</u></b>	<b><u>\$97,339</u></b>
Reserves for Encumbrances, December 31	<u>\$6,441</u>	<u>\$1,800</u>	<u>\$8,241</u>

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

VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Fines, Licenses, and Permits	\$17,248
<b>Non-Operating Cash Disbursements:</b>	
Distributions of Fines and Costs	<u>17,878</u>
Non-Operating Income/(Loss)	(630)
Fund Cash Balances, January 1	<u>970</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$340</u></u></b>

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

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$60,760	\$62,898	\$123,658
Intergovernmental Receipts	100,143	24,161	124,304
Fines, Licenses, and Permits	48,056	41	48,097
Earnings on Investments	1,571	2,943	4,514
Miscellaneous	11,071	1,407	12,478
	<u>221,601</u>	<u>91,450</u>	<u>313,051</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	115,496	92,639	208,135
Leisure Time Activities	931	-	931
Basic Utility Services	7,501	-	7,501
Transportation	-	6,444	6,444
General Government	151,967	-	151,967
Debt Service:			
Principal Payments	-	14,745	14,745
Financing and Other Debt-Service Related	-	66	66
	<u>275,895</u>	<u>113,894</u>	<u>389,789</u>
Total Receipts (Under) Disbursements	<u>(54,294)</u>	<u>(22,444)</u>	<u>(76,738)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Refund of Prior Year Expenses	15,276	202	15,478
	<u>15,276</u>	<u>202</u>	<u>15,478</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(39,018)	(22,242)	(61,260)
Fund Cash Balances, January 1	28,155	124,777	152,932
<b>Fund Cash Balances, December 31</b>	<u><b>(\$10,863)</b></u>	<u><b>\$102,535</b></u>	<u><b>\$91,672</b></u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Agency</u>
<b>Non-Operating Cash Receipts:</b>	
Fines, Licenses, and Permits	\$58,300
<b>Non-Operating Cash Disbursements:</b>	
Distributions of Fines and Costs	<u>57,892</u>
Non-Operating Income/(Loss)	408
Fund Cash Balances, January 1	<u>562</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$970</u></u></b>

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

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Valleyview, Franklin County, Ohio, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides, park operation, street resurfacing, and police services. The Village contracts with the City of Columbus to provide fire protection services.

The Village's management believes these financial statements present all activities for which the Village 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 and 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 disbursements, respectively.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

*Police Fund* -This fund receives property tax monies for the provision of police protection.

*Fire Fund* -This fund receives property tax monies for the provision of fire protection.

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Fiduciary Funds (Agency Fund)**

Funds for which the Village is acting in an agency capacity are classified as an agency fund. The Village had the following significant Fiduciary Fund:

*Mayor's Court Agency Fund* - This fund is used by the Village to account for Mayor's Court receipts and disbursements.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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 Council 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.

**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 Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002
Demand deposits	\$75,429	\$66,041
Money Market Account	22,250	26,601
Total deposits	\$97,679	\$92,642

**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, 2003 and December 31, 2002 follows:

**2003 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$199,519	\$181,256	(\$18,263)
Special Revenue	104,674	107,066	2,392
Total	\$304,193	\$288,322	(\$15,871)

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,341	\$187,847	\$3,494
Special Revenue	127,174	103,049	24,125
Total	\$318,515	\$290,896	\$27,619

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$207,526	\$236,877	\$29,351
Special Revenue	88,889	91,652	2,763
Total	\$296,415	\$328,529	\$32,114

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$300,340	\$275,895	\$24,445
Special Revenue	127,600	113,894	13,706
Total	\$427,940	\$389,789	\$38,151

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

In 2002, contrary to Ohio law, appropriations exceeded estimated resources in the General, Drug Law Enforcement, and Fire Funds.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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.

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 Village.

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

Ohio Public Works Commission Loan      \$122,870      0.00%

The Ohio Public Works Commission (OPWC) loan relates to street resurfacing project. The OPWC approved \$147,445 in loans to the Village. The loan is to be repaid in semi-annual installments of \$4,915, over 15 years. The debt will be repaid with street construction intergovernmental receipts. The Village made three payments totaling \$14,745 for the year ended December 31, 2002.

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

Year ending December 31	<u>OPWC Loan</u>
2004	\$9,830
2005	9,830
2006	9,830
2007	9,830
2008	9,830
2009 – 2013	49,150
2014 – 2016	<u>24,570</u>
Total	<u>\$122,870</u>

**6. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the member's= deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

**8. COMPLIANCE**

The Village did not follow the Ohio Revised Code when transferring money from the General Fund to the Fire Fund, a special revenue fund. The financial statements have been adjusted to eliminate this transfer.

Ohio law requires levied taxes to be recorded in specific funds to assist in ensuring monies are used for the purpose for which the taxes were levied. The Village posted several tax receipts to incorrect funds. The financial statements have been adjusted to reflect the levied tax receipts in the appropriate fund and caused the deficit General Fund balances reported in the accompanying financial statements.

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**9. DEFICIT FUND BALANCES**

As a result of the correction of posting errors and reversals of transactions made contrary to the Ohio Revised Code, the Village has experienced deficit cash fund balance in fiscal 2003 and 2002 in the General Fund totaling \$11,013 and \$10,863, respectively. The Village plans to correct the deficiency by reducing non-payroll expenditures in the General Fund and, where legally possible, pay those expenditures from other Village funds.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Valleyview  
Franklin County  
432 North Richardson Avenue  
Columbus, Ohio 43204

To the Village Council:

We have audited the accompanying financial statements of the Village of Valleyview, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated July 8, 2004 wherein we noted that the Village's financial transactions were processed using 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 conduct the audit of the Village 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 8, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village'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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-004 and 2003-005.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 8, 2004.

This report is intended solely for the information and use of the finance committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 8, 2004

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

<b>FINDING NUMBER</b>	<b>2003-001</b>
-----------------------	-----------------

**Illegal Transfer- Fire Special Revenue Fund**

Ohio Rev. Code Sections 5705.14, 15, and 16 state, in part, that no transfer can be made from one fund of a subdivision to any other fund without a resolution of the taxing authority authorizing the transfer. These sections establish additional requirements for transfers made from a fund other than the General Fund.

In 2002, the Village transferred \$27,782 from the General Fund to the Fire Special Revenue Fund without the authorization of Council.

The accompanying financial statements and the Village's records have been adjusted to eliminate the transfer to the Fire Special Revenue Fund.

If the Village desires to transfer monies from one fund to any other fund, we recommend the Village pass a resolution authorizing the transfer before any transfer occurs and follow the other applicable provisions of Ohio Rev. Code Sections 5705. 14, 15, and 16.

<b>FINDING NUMBER</b>	<b>2003-002</b>
-----------------------	-----------------

**Prior Certification of Expenditures**

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of Council upon completion of a then and now certificate, if such expenditure is otherwise valid. As of April 7, 2003, this amount was increased to \$3,000.

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

<b>FINDING NUMBER</b>	<b>2003-002 (Continued)</b>
-----------------------	-----------------------------

**Prior Certification of Expenditures (Continued)**

Forty-two percent of the transactions tested were not certified prior to the commitment, nor were they certified using the then-and-now provision permitted under this section. This procedure is not only required by Ohio law, but is a key control in the disbursement process to ensure expenditures are properly approved and spending authority is available before any expenditure is made.

We recommend the Village certify expenditures at the time of the purchase commitment. In the event the certification was not exercised at the time of the purchase commitment, the allowed exception provision can be used. Although, law permits the use of the provision as stated above in certain instances, the Village should limit the provision application to prevent the effectiveness of the disbursement internal control structure.

<b>FINDING NUMBER</b>	<b>2003-003</b>
-----------------------	-----------------

**Appropriations Exceeding Estimated Resources**

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated resources as certified by the County Budget Commission (the Commission). No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund "do not exceed" the total official estimate or amended certificate.

The Village had appropriations in excess of estimated resources at December 31, 2002 in the following funds:

Fund Type	Estimated Resources	Appropriations	Variance
General	\$219,717	\$300,340	(\$80,623)
Drug Law Enforcement	826	1,200	(374)
Fire	45,752	53,000	(7,248)
Total	\$266,295	\$354,540	(\$88,245)

All the above represent the Council approved original certificate of estimated resources, the appropriation measure and its' respective amendments as submitted to the Commission. The Village asserted another amended certificate existed which was sent to the Commission during January, 2003, for 2002, increasing estimated resources to the level of appropriations, as noted above. No documentation could be found to support the submission or approval by either the Council or the Commission and consequently the budget amounts were adjusted to only reflect the approved original certificate of estimated resources and original appropriation measure and its amendments.

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

<b>FINDING NUMBER ( Continued)</b>	<b>2003-003</b>
------------------------------------	-----------------

**Appropriations Exceeding Estimated Resources (Continued)**

We recommend the Village not appropriate beyond available resources, as approved by the Commission, to comply with Ohio Rev. Code Section 5705.39. Management should develop procedures to amend budgetary components (estimated resources and appropriation measure) timely and ensure their submission to the Commission to avoid budgetary infractions. Council should develop monitoring procedures to ensure these implemented mechanisms are carried out.

<b>FINDING NUMBER</b>	<b>2003-004</b>
-----------------------	-----------------

**REPORTABLE INTERNAL CONTROL WEAKNESSES**

**Reportable Condition - Posting to the Accounting System**

In 2002, the Village ledgers did not always reflect proper posting of receipts and expenditures. Tax settlement receipts were not posted at the gross amount and not always posted to the correct fund, based on the Police, Fire, and operating levies requirements. Additionally, adjustments to the accounting system from the 2001 audit were not properly recorded in some instances, and not recorded in others.

The financial statements were adjusted for these errors and audit adjustments were posted to the Village accounting system. Several mispostings appeared to be caused by the lack of Clerk/Treasurer training on the Uniform Accounting Network (UAN) accounting system and lack of legislative monitoring of financial activity by Village Council.

We recommend entries to the accounting system be completed to the correct funds based on Ohio law, and advised practices of UAN. In addition, we recommend the Clerk/Treasurer attend formal UAN training and either a Council or finance committee member gain familiarity with the UAN accounting system. A Council or finance committee member should monitor financial activity to ensure accuracy of financial data entered by the Clerk/Treasurer.

<b>FINDING NUMBER</b>	<b>2003-005</b>
-----------------------	-----------------

**Reportable Condition- Monitoring Controls**

Appropriate financial reports were not provided to the Village Council to provide effective monitoring over financial operations. Lack of effective monitoring has led to operational failures and errors occurring without timely detection.

Village Council should monitor the financial operations of the Village regularly. Such monitoring should include review of budget versus actual data, detailed receipt reports, detailed expenditure reports and cash journals. In addition Council should monitor all Mayors' Court activity.

Monitoring should be performed to ensure that management's objectives are being achieved, including operational, legal compliance, and financial control objectives. Effective monitoring should entail identifying unexpected results or exceptions (including significant compliance exceptions), investigating underlying causes, and taking corrective action.

VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

<b>FINDING NUMBER</b>	<b>2003-005 (Continued)</b>
-----------------------	-----------------------------

**Reportable Condition- Monitoring Controls (Continued)**

To assist management in detecting potential material financial and/or compliance transactions that may effect financial operations, we recommend the Village Council become more involved in the review and monitoring of the Village financial operations. Some of the methods of monitoring may consist of, but should not be limited to, the following:

- Regular review of monthly budget to actual figures;
- Regular review of financial report summaries of sufficient detail (monthly detailed receipts, expenditures, and fund balance reports and their respective fluctuations);
- Review of receipts/expenditures with independently accumulated information (budgets, past performance, etc.);
- Review of all expenditures;
- Review monthly Mayor's Court reports;
- Review of unusual or significant items, long outstanding items, and;
- Review of monthly bank reconciliations, including Mayor's Court.

**VILLAGE OF VALLEYVIEW  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2001-30625-001	The Village did not remit \$37,506 of federal income taxes withheld from wages earned by employees.	Yes	The principal balance due to the IRS was repaid by April, 2004.
2001-30625-002	The Village did not disburse to the public employee retirement system all the required employer contributions during 2001 and 2000.	Yes	
2001-30625-003	Appropriate financial reports were not provided to the Village Council to provide effective monitoring over financial operations.	No	Reissued as Finding No. 2003-005
2001-30625-004	In 2001 and 2000, the Village ledgers did not always reflect proper and timely posting of receipts, expenditures, appropriation measures and estimated resources approved by the Village Council.	No	Reissued as Finding No. 2003-004
2001-30625-005	During 2000, monthly Mayor's Court remittances to the General Fund were not being deposited in a timely manner.	Yes	





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF VALLEYVIEW**

**FRANKLIN 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 30, 2004**