



Mary Taylor, CPA
Auditor of State

VILLAGE OF VALLEY HI
LOGAN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Audit Findings	15
Schedule of Prior Audit Findings.....	16

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Village of Valley Hi
Logan County
325 North Main Street
Bellefontaine, Ohio 43311

To the Members of the Commission:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 21, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Valley Hi
Logan County
325 North Main Street
Bellefontaine, Ohio 43311

To the Members of the Commission:

We have audited the accompanying financial statements of the Village of Valley Hi, Logan County, (the Village), as of and for the years ended December 31, 2007 and 2006. 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 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, 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 of the Village of Valley Hi, Logan County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village 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 21, 2008, 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 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 21, 2008

**VILLAGE OF VALLEY HI
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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 Local Taxes	\$2,885			\$2,885
Municipal Income Tax	28,987			28,987
Intergovernmental	2,739	\$7,972	\$60,021	70,732
Fines, Licenses and Permits	1,406			1,406
Earnings on Investments	3,306	433		3,739
Total Cash Receipts	<u>39,323</u>	<u>8,405</u>	<u>60,021</u>	<u>107,749</u>
Cash Disbursements:				
Current:				
Transportation		6,653		6,653
General Government	49,970			49,970
Debt Service:				
Redemption of Principal	3,700			3,700
Interest and Fiscal Charges	464			464
Capital Outlay			60,021	60,021
Total Cash Disbursements	<u>54,134</u>	<u>6,653</u>	<u>60,021</u>	<u>120,808</u>
Total Receipts Over/(Under) Disbursements	(14,811)	1,752		(13,059)
Fund Cash Balances, January 1	<u>57,103</u>	<u>9,369</u>		<u>66,472</u>
Fund Cash Balances, December 31	<u>\$42,292</u>	<u>\$11,121</u>	<u>\$0</u>	<u>\$53,413</u>

See accompanying notes to the financial statements

**VILLAGE OF VALLEY HI
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$3,497		\$3,497
Municipal Income Tax	54,912		54,912
Intergovernmental	2,542	\$8,772	11,314
Fines, Licenses and Permits	1,257		1,257
Earnings on Investments	1,201	104	1,305
Total Cash Receipts	<u>63,409</u>	<u>8,876</u>	<u>72,285</u>
Cash Disbursements:			
Current:			
Transportation		6,283	6,283
General Government	37,351		37,351
Debt Service:			
Redemption of Principal	3,700		3,700
Interest and Fiscal Charges	635		635
Capital Outlay			
Total Cash Disbursements	<u>41,686</u>	<u>6,283</u>	<u>47,969</u>
Total Receipts Over Disbursements	21,723	2,593	24,316
Fund Cash Balances, January 1	<u>35,380</u>	<u>6,776</u>	<u>42,156</u>
Fund Cash Balances, December 31	<u><u>\$57,103</u></u>	<u><u>\$9,369</u></u>	<u><u>\$66,472</u></u>

See accompanying notes to the financial statements.

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Valley Hi, Logan County, (the Village), as a body corporate and politic. This Village was formed under Ohio Revised Code Section 705.41. Three Commissioners are elected from the municipal corporation. The Commissioners hold office for four years. The Village provides general governmental services and street construction, maintenance, and repair.

The Village participates in a jointly governed organization. Note 9 to the financial statements provides additional information for this entity. The organization is:

Jointly Governed Organization:

Tri-Valley Fire District provides fire protection and rescue services within the District and by contract to areas outside the District.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund during 2007:

Issue II Fund – This fund accounts for Issue II money spent on behalf of the Village for constructing, maintaining, and repairing Village streets.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. . Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

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

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

2. EQUITY IN POOLED CASH (Continued)

	2007	2006
Demand deposits	\$24,976	\$36,686
Certificates of deposit	28,437	29,786
Total deposits	\$53,413	\$66,472

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,300	\$39,323	(\$8,977)
Special Revenue	8,000	8,405	405
Capital Projects	60,021	60,021	
Total	\$116,321	\$107,749	(\$8,572)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,325	\$54,134	\$191
Special Revenue	7,000	6,653	347
Capital Projects	60,021	60,021	
Total	\$121,346	\$120,808	\$538

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,200	\$63,409	\$25,209
Special Revenue	7,000	8,876	1,876
Total	\$45,200	\$72,285	\$27,085

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,575	\$41,686	\$2,889
Special Revenue	7,000	6,283	717
Total	\$51,575	\$47,969	\$3,606

The Village violated Ohio Rev. Code Section 5705.09 when it failed to establish a separate fund to account for Issue II money spent on behalf of the Village in 2007.

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Commission adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan	\$3,700	6.00%

On August 4, 2005, the Village received a loan in the amount of \$11,100 for the purchase of a Bobcat Skid Loader. Annual principal and interest payments are due until maturity on August 4, 2008.

Amortization of the above debt, including interest, follows:

<u>Year Ending</u>	<u>Loan Payable</u>
<u>December 31:</u>	
2008	\$3,923

7. RETIREMENT SYSTEMS

The Village's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles

9. JOINTLY GOVERNED ORGANIZATION

The Tri-Valley Fire District, Logan County (the District), is a body corporate and politic. A three member Board of Trustees governs the District. One board member is appointed by each political subdivision within the District. Those subdivisions are Jefferson Township, the Village of Valley Hi, and the Village of Zanesfield, in Logan County. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

This page intentionally left blank.



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*

Village of Valley Hi
Logan County
325 North Main Street
Bellefontaine, Ohio 43311

To the Members of the Commission:

We have audited the financial statements of the Village of Valley Hi, Logan County, (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 21, 2008, wherein we noted the Village 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 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 Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 Village'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 Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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

**Internal Control over Financial Reporting
(Continued)**

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. However, we believe the significant deficiencies reported above are also material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-002.

We also noted a certain noncompliance or other matter that we reported to the Village's management in a separate letter dated September 21, 2008.

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



Mary Taylor, CPA
Auditor of State

September 21, 2008

**VILLAGE OF VALLEY HI
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Material Weakness

Classification of Revenues and Expenditures

To assist in the effective management and reporting of financial resources, a village should have procedures in place to help assure that revenues and expenditures are correctly classified in the accounting records and financial statements. In 2007 and 2006, cable franchise fees in the amount of \$1,135 and \$944, respectively, were reported in the General Fund as intergovernmental revenue instead of licenses, permits, and fees. In 2007 and 2006, all Street Fund expenditures, in the amount of \$6,653 and \$6,283, respectively, were reported as general government expenditures instead of transportation expenditures. During 2007 as discussed in Finding 2007-002, the Village failed to establish a separate fund to account for Issue II money in the amount of \$60,021.

The failure to correctly record receipts and disbursements in the accounting records and financial statements not only impacts the user's understanding of the financial operations, it also inhibits the Commission and management's ability to make sound financial decisions, may impact the Village's ability to comply with budgetary laws, and can result in the material misstatement of the financial statements. The accompanying financial statements have been adjusted to reflect this activity in the correct receipts and disbursement classifications.

The Village should review the Ohio Village Manual for guidance in the recording of receipts and disbursements. The Village's Clerk/Treasurer and Commissioners should also perform a review of the financial records and financial statements to help identify revenue and expenditure recording errors.

FINDING NUMBER 2007-002

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 5705.09(F) requires that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. During 2007, the Village budgeted and recorded Issue II money, spent on be-half of the Village, in the Street Fund instead of establishing a separate capital projects fund.

The failure to establish the required fund weakens the accountability over money spent by other entities on be-half of the Village and results in a material misstatement of the financial statements. The accompanying financial statements have been adjusted to reflect Issue II money, in the amount of \$60,021, in a Capital Projects Fund. Since Issue II money is recorded as memo only activity there was no impact on the ending fund balances.

The Village should review the procedures outlined in Auditor of State Bulletin 2002-004 when accounting for Issue II money.

Officials Response: Officials did not respond to the findings above.

**VILLAGE OF VALLEY HI
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.10 – Gasoline tax monies were recorded in the General Fund.	No	A similar immaterial instance was reported in a separate letter to management of the Village.



Mary Taylor, CPA
Auditor of State

VILLAGE OF VALLEY HI

LOGAN 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 6, 2008**