

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2011 and 2010

D. WILLIAM BOY, CLERK/TREASURER



Dave Yost • Auditor of State

Members of the Commission
Village of Valley Hi
325 N. Main Street
Bellefontaine, Ohio 43311

We have reviewed the *Independent Accountants' Report* of the Village of Valley Hi, Logan County, prepared by Julian & Grube, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 Accountants' 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 Accountants' 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. The Village of Valley Hi is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 8, 2012

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**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report

Village of Valley Hi
Logan County
325 N. 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, Ohio, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Village of Valley Hi'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 2B, the Village of Valley Hi 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 require presenting entity wide statements and also presenting the Village of Valley Hi's larger (i.e. major) funds separately. While the Village of Valley Hi 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 of Valley Hi 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 to its non-GAAP basis is in the second following paragraph.

Village of Valley Hi
Independent Accountants' Report
Page Two

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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Valley Hi as of December 31, 2011 and 2010, 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 as of December 31, 2011 and 2010 of the Village of Valley Hi, Logan County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis as described in Note 2.B.

As described in Note 2, during 2011, the Village of Valley Hi adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the Village of Valley Hi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.



Julian & Grube, Inc.
June 29, 2012

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

COMBINED STATEMENT OF FUND CASH BALANCES
ALL FUND TYPES
DECEMBER 31, 2011 AND 2010

<u>Cash and Cash Equivalents</u>	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 7,812	\$ 52,665
Total Cash and Cash Equivalents	<u>\$ 7,812</u>	<u>\$ 52,665</u>
 <u>Fund Cash Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 2,621	\$ 39,227
Special Revenue	<u>5,191</u>	<u>13,438</u>
Total Governmental Funds	<u>7,812</u>	<u>52,665</u>
Total Fund Cash Balances	<u>\$ 7,812</u>	<u>\$ 52,665</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF VALLEY HI
LOGAN 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, 2011

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and local taxes	\$ 2,951	\$ -	\$ -	\$ 2,951
Municipal income taxes	26,015	-	-	26,015
Intergovernmental	2,487	7,856	50,441	60,784
Fines, licenses, and permits	1,163	-	-	1,163
Interest	201	70	-	271
Total cash receipts	<u>32,817</u>	<u>7,926</u>	<u>50,441</u>	<u>91,184</u>
Cash disbursements:				
Current:				
Transportation	-	8,352	-	8,352
General government	38,923	-	-	38,923
Capital outlay	<u>30,500</u>	<u>7,821</u>	<u>50,441</u>	<u>88,762</u>
Total cash disbursements	<u>69,423</u>	<u>16,173</u>	<u>50,441</u>	<u>136,037</u>
Total cash receipts over/(under) cash disbursements	(36,606)	(8,247)	-	(44,853)
Fund cash balances, January 1, 2011	<u>39,227</u>	<u>13,438</u>	<u>-</u>	<u>52,665</u>
Fund cash balances, December 31, 2011	<u>\$ 2,621</u>	<u>\$ 5,191</u>	<u>\$ -</u>	<u>\$ 7,812</u>
Fund cash balances:				
Restricted	-	5,191	-	5,191
Unassigned	<u>2,621</u>	<u>-</u>	<u>-</u>	<u>2,621</u>
Fund cash balances, December 31, 2011	<u>\$ 2,621</u>	<u>\$ 5,191</u>	<u>\$ -</u>	<u>\$ 7,812</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF VALLEY HI
LOGAN 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, 2010

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and local taxes	\$ 3,246	\$ -	\$ -	\$ 3,246
Municipal income taxes	49,040	-	-	49,040
Intergovernmental	3,026	7,964	23,697	34,687
Fines, licenses, and permits	1,104	-	-	1,104
Interest	689	202	-	891
Total cash receipts	<u>57,105</u>	<u>8,166</u>	<u>23,697</u>	<u>88,968</u>
Cash disbursements:				
Current:				
Transportation	-	8,515	-	8,515
General government	53,625	-	-	53,625
Capital outlay	-	-	23,697	23,697
Total cash disbursements	<u>53,625</u>	<u>8,515</u>	<u>23,697</u>	<u>85,837</u>
Total cash receipts over/(under) cash disbursements	3,480	(349)	-	3,131
Fund cash balances, January 1, 2010	<u>35,747</u>	<u>13,787</u>	<u>-</u>	<u>49,534</u>
Fund cash balances, December 31, 2010	<u>\$ 39,227</u>	<u>\$ 13,438</u>	<u>\$ -</u>	<u>\$ 52,665</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 1 - 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 two jointly governed organizations. Note 10 to the financial statements provides additional information for these entities. The organizations are:

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

LUC Regional Planning Commission provides planning services to participating subdivisions.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The most significant of the Village's accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

The Village had the following special revenue fund:

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

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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:

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

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. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Commissioners.

Tax Budget:

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Estimated Resources:

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. The Village had several amendments to the original estimated certificate during the years ended December 31, 2011 and 2010.

Appropriations:

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village legally adopted supplemental appropriations during 2011 and 2010.

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 re-appropriated.

D. FUND BALANCE

For December 31, 2011, the Village implemented Governmental Accounting Standards Board (GASB) No. 54, "Fund Balance Reporting and Governmental Fund Definitions" which had no effect on fund balances. Under GASB No. 54, fund balances are divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws of regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Village Commissioners can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Commissioners amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes, but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Commissioners or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. CASH AND CASH EQUIVALENTS

For reporting purposes, the Village considers “Cash and Cash Equivalents” to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$271 and \$891 for the years ended December 31, 2011 and 2010, respectively.

F. PROPERTY, PLANT AND EQUIPMENT

Capital assets are not capitalized in any of the Village’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village’s cash basis method of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2011	2010
Deposits: Demand deposits	\$ 2,659	\$ 27,071
Certificate of Deposits	5,153	25,594
Total Cash and Cash Equivalents	\$ 7,812	\$ 52,665

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

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 41,200	\$ 32,817	\$ (8,383)
Special Revenue	7,200	7,926	726
Capital Projects	<u>56,000</u>	<u>50,441</u>	<u>(5,559)</u>
Total	<u>\$ 104,400</u>	<u>\$ 91,184</u>	<u>\$ (13,216)</u>

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 71,935	\$ 69,423	\$ 2,512
Special Revenue	17,450	16,173	1,277
Capital Projects	<u>56,000</u>	<u>50,441</u>	<u>5,559</u>
Total	<u>\$ 145,385</u>	<u>\$ 136,037</u>	<u>\$ 9,348</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 34,600	\$ 57,105	\$ 22,505
Special Revenue	7,800	8,166	366
Capital Projects	<u>21,600</u>	<u>23,697</u>	<u>2,097</u>
Total	<u>\$ 64,000</u>	<u>\$ 88,968</u>	<u>\$ 24,968</u>

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 53,595	\$ 53,625	\$ (30)
Special Revenue	8,730	8,515	215
Capital Projects	<u>21,600</u>	<u>23,697</u>	<u>(2,097)</u>
Total	<u>\$ 83,925</u>	<u>\$ 85,837</u>	<u>\$ (1,912)</u>

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5 - 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.

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

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.

NOTE 6 - 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.

NOTE 7 - RETIREMENT SYSTEM

The Village's salaried employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 the years ended December 31, 2011 and 2010, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2011 and 2010, respectively. At December 31, 2011, all amounts for the years ended 2011 and 2010 have been paid.

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 8 - RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and,
- Vehicles.

NOTE 9 - CONTINGENT LIABILITY

LITIGATION

The Village is not currently involved in litigation.

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

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.

The LUC Regional Planning Commission, Logan County (the Commission), is a body corporate and politic. A 28 member Board governs the Commission. The Board consists of representatives from participating political subdivisions, the county commissioners, and appointed citizens. The Commission formulates and reviews plans affecting long and short term social, economic, and governmental development within the region. In addition, the Commission is the subdivision platting authority for Logan, Union, and Champaign Counties. Hence, the Commission reviews and (dis)approves preliminary and final subdivision plats. The Commission is also required by the Ohio Revised Code to review and make recommendations on zoning amendments in the unincorporated areas of the Counties.

NOTE 11 - ECONOMIC DEPENDENCY

The Village received approximately 72% of its income tax revenue from three businesses in 2010 and approximately 60% of its income tax revenue from two businesses in 2011. All of the businesses are tied to the Mad River Mountain Ski Resort.



Julian & Grube, Inc.

Serving Ohio Local Governments

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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 N. 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, Ohio, as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 29, 2012, wherein we noted the Village of Valley Hi prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. As described in Note 2, the Village of Valley Hi adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended December 31, 2011. 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 of Valley Hi's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village of Valley Hi's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village of Valley Hi'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal controls over financial reporting, that we consider a material weakness.

Members of the Commission
Village of Valley Hi

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Valley Hi's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-VOVH-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village of Valley Hi's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village of Valley Hi's management in a separate letter dated June 29, 2012.

The Village of Valley Hi's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village of Valley Hi's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the Commission, management and others within the Village of Valley Hi. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
June 29, 2012

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2011-VOVH-001

Material Weakness - Financial Reporting

The Village should have procedures in place to help ensure that financial activity is correctly classified in the accounting records and financial statements to assist in the effective management and reporting of financial resources.

The Village had receipts and disbursements that were posted incorrectly according to the Ohio Village Handbook and the Ohio Revised Code.

In 2010, Capital Projects Fund disbursements for a County Ohio Public Works Commission (OPWC) Issue II project, in the amount of \$23,697, were reported as general government disbursements instead of capital outlay disbursements. In 2011, the Capital Projects Fund receipts and disbursements for a County OPWC Issue II project, in the amount of \$50,441, were not recognized as receipts and disbursements on the Village's annual report. In 2011, General Fund disbursements for a dump truck, in the amount of \$30,500, were reported as general government disbursements instead of capital outlay disbursements. Also, in 2011, Special Revenue disbursements for a dump truck, in the amount of \$7,821, were reported as transportation disbursements instead of capital outlay disbursements.

The audited financial statements and Village records have been adjusted to correctly reflect this financial activity.

The failure to correctly identify and classify financial activity in the accounting records and financial statements may impact a user's understanding of the financial operations, the Village's ability to make sound financial decisions, the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Commissioners.

We recommend the Village review the Ohio Village Handbook for guidance in the recording of financial activity. 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.

Client Response: The Village will attempt to implement procedures that will correctly identify and classify on behalf financial activities in the future.

**VILLAGE OF VALLEY HI
LOGAN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> <u>Valid; Explain:</u>
2009-001	<u>Material Weakness - Financial Reporting</u> - The Village should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements to assist in the effective management and reporting of financial resources.	No	Repeated as finding 2011-VOVH-001

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Dave Yost • 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 20, 2012