

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

Financial Statements
(Audited)

For The Years Ended
December 31, 2013 and 2012

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 Auditor's Report* of the Village of Valley Hi, Logan County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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

June 20, 2014

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

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1 - 2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For The Year Ended December 31, 2013	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For The Year Ended December 31, 2012	4
Notes to the Financial Statements	5 - 12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13 - 14
Schedule of Findings and Responses	15 - 16
Schedule of Prior Audit Findings.....	17



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Members of the Commission:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Valley Hi, Logan County, Ohio, as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Valley Hi's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village of Valley Hi's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village of Valley Hi prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Valley Hi as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Valley Hi, Logan County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2014, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Valley Hi's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 15, 2014

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

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and local taxes	\$ 3,483	\$ -	\$ -	\$ 3,483
Municipal income taxes	33,575	-	-	33,575
Intergovernmental	1,010	8,066	5,643	14,719
Fines, licenses, and permits	1,207	-	-	1,207
Interest	72	7	-	79
Total cash receipts	<u>39,347</u>	<u>8,073</u>	<u>5,643</u>	<u>53,063</u>
Cash disbursements:				
Current:				
Transportation	-	8,460	-	8,460
General government	31,095	-	-	31,095
Capital outlay	-	-	5,643	5,643
Total cash disbursements	<u>31,095</u>	<u>8,460</u>	<u>5,643</u>	<u>45,198</u>
Net change in cash fund balance	8,252	(387)	-	7,865
Fund cash balances, January 1, 2013	<u>14,586</u>	<u>3,607</u>	<u>-</u>	<u>18,193</u>
Fund cash balances, December 31, 2013:				
Restricted	-	3,220	-	3,220
Unassigned	22,838	-	-	22,838
Fund cash balances, December 31, 2013	<u>\$ 22,838</u>	<u>\$ 3,220</u>	<u>\$ -</u>	<u>\$ 26,058</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 (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Property and local taxes	\$ 2,897	\$ -	\$ 2,897
Municipal income taxes	30,628	-	30,628
Intergovernmental	1,844	7,853	9,697
Fines, licenses, and permits	1,120	-	1,120
Interest	44	17	61
Miscellaneous	398	-	398
Total cash receipts	<u>36,931</u>	<u>7,870</u>	<u>44,801</u>
Cash disbursements:			
Current:			
Transportation	-	9,454	9,454
General government	24,966	-	24,966
Total cash disbursements	<u>24,966</u>	<u>9,454</u>	<u>34,420</u>
Net change in cash fund balance	11,965	(1,584)	10,381
Fund cash balances, January 1, 2012	<u>2,621</u>	<u>5,191</u>	<u>7,812</u>
Fund cash balances, December 31, 2012:			
Restricted	-	3,607	3,607
Unassigned	14,586	-	14,586
Fund cash balances, December 31, 2012	<u>\$ 14,586</u>	<u>\$ 3,607</u>	<u>\$ 18,193</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, 2013 AND 2012**

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 provide 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. 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:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

Special Revenue Funds

These funds account for and report the proceeds for specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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, 2013 AND 2012

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

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

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

FEMA - This fund accounts for monies received and spent related to storm damages.

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. 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 or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

D. FUND BALANCE

Fund balance is 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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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.

E. DEPOSITS 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.

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.

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:

	<u>2013</u>	<u>2012</u>
Deposits: Demand Deposits	\$ 20,857	\$ 13,016
Certificate of Deposits	<u>5,201</u>	<u>5,177</u>
Total Cash and Cash Equivalents	<u>\$ 26,058</u>	<u>\$ 18,193</u>

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, 2013 AND 2012

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 33,740	\$ 39,347	\$ 5,607
Special Revenue	7,660	8,073	413
Capital Projects	-	5,643	5,643
Total	\$ 41,400	\$ 53,063	\$ 11,663

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 32,030	\$ 31,095	\$ 935
Special Revenue	9,225	8,460	765
Capital Projects	-	5,643	(5,643)
Total	\$ 41,255	\$ 45,198	\$ (3,943)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 32,625	\$ 36,931	\$ 4,306
Special Revenue	7,360	7,870	510
Total	\$ 39,985	\$ 44,801	\$ 4,816

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 29,805	\$ 24,966	\$ 4,839
Special Revenue	10,225	9,454	771
Total	\$ 40,030	\$ 34,420	\$ 5,610

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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.

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, 2013 and 2012, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2013 and 2012, respectively. At December 31, 2013, all amounts for the years ended 2013 and 2012 have been paid.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 8 - RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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 70% of its income tax revenue from six businesses in 2013 and approximately 64% of its income tax revenue from six businesses in 2012. Of the 70% and 64%, respectively, 53% and 62% are Mad River Mountain Ski Resort.

NOTE 12 - ACCOUNTABILITY

The Village was in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40 during 2013.



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Valley Hi, Logan County, Ohio, as of and for the years ended December 31, 2013 and 2012 and the related notes to the financial statements and have issued our report thereon dated May 15, 2014 wherein we noted the Village of Valley Hi followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statements audit, we considered the Village of Valley Hi's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village of Valley Hi's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Valley Hi's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of the Commission
Village of Valley Hi

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, opining 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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2013-VOVH-001 and 2013-VOVH-002.

Village of Valley Hi's Response to Findings

The responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village of Valley Hi's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Valley Hi's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
May 15, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2013-VOVH-001

Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

The Village had expenditures exceeding appropriations in the following funds and by the corresponding amounts at December 31, 2013:

Fund Type /Fund
2013

<u>Capital Projects</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
FEMA	\$ -	\$ 1,800	\$ 1,800
Capital Projects	-	3,843	3,843

We recommend that Village Commissioners and the Village Clerk/Treasurer monitor closely the annual budget and file amended certificates of appropriations as needed to ensure disbursements are within the amounts legally appropriated. In addition, we also recommend the Village Clerk/Treasurer review and amend appropriations when it is determined that expenditures will exceed appropriations.

Client Response: When necessary, the Village will file appropriations as needed to ensure disbursements are within the amounts legally appropriated. The administration will deny any and all expenditures that exceed appropriations.

Finding Number	2013-VOVH-002
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations during 2013 in the FEMA and Capital Projects funds due to the Village not timely or properly modifying its appropriations throughout the year.

By not timely and properly modifying the Village's appropriations, the Village is not adequately monitoring appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

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

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2013-VOVH-002 - (Continued)

We recommend that the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client Response: The Village will continue to attempt to modify appropriations in an efficient and accurate manner.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

<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>
2011-VOVH-001	<u>Material Weakness - Financial Reporting</u> - The Village had receipts and disbursements that were posted incorrectly according to the Ohio Village Handbook and the Ohio Revised Code.	Yes	N/A



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
JULY 8, 2014