



Dave Yost • Auditor of State

VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

Village of Valley View
Cuyahoga County
6848 Hathaway Road
Valley View, Ohio 44125

To the Village Council:

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 21, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Valley View
Cuyahoga County
6848 Hathaway Road
Valley View, Ohio 44125

To the Village Council:

We have audited the accompanying financial statements of the Village of Valley View, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009. 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.

Except as discussed in the following paragraph, 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 disclosed in Note 10 to the financial statements, the Village is the subject of an ongoing criminal investigation, alleging the Village Engineer and two contractors of the Village engaged in a pattern of corrupt activity and theft-related offenses, relating to payments from the Village's Capital Projects Fund. Based on the facts currently available, we cannot reasonably determine the effect of these acts on the Capital Project Fund financial statement amounts or related disclosures.

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 require 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 Villages 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position, where applicable for the years then ended.

In addition, in our opinion, except for the effect, if any, of adjustments to capital outlay expenditures for the Capital Projects Fund or revisions to disclosures that may have been required for the illegal acts described above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the General Fund, Special Revenue fund, Debt Service Fund, Internal Service Fund and Agency Fund of the Village of Valley View, Cuyahoga County, as of December 31, 2010 and 2009, 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 March 21, 2011, 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.



Dave Yost
Auditor of State

March 21, 2011

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$997,574	\$391,874	\$0	\$0	\$1,389,448
Municipal Income Tax	7,871,048	0	640,138	914,484	9,425,670
Intergovernmental	550,112	249,793	0	703,463	1,503,368
Special Assessments	0	0	131,570	0	131,570
Charges for Services	163,593	9,275	0	0	172,868
Fines, Licenses and Permits	116,535	4,026	0	225	120,786
Earnings on Investments	4,624	0	0	0	4,624
Miscellaneous	111,864	5,622	0	91,682	209,168
	<u>9,815,350</u>	<u>660,590</u>	<u>771,708</u>	<u>1,709,854</u>	<u>12,957,502</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	4,139,025	507,250	0	0	4,646,275
Public Health Services	11,566	0	0	0	11,566
Leisure Time Activities	368,212	275,969	0	0	644,181
Basic Utility Service	208,627	0	0	0	208,627
Transportation	1,090,158	283,752	0	0	1,373,910
General Government	1,829,478	0	0	0	1,829,478
Debt Service:					
Redemption of Principal	0	0	515,000	0	515,000
Interest and Fiscal Charges	0	0	159,537	0	159,537
Capital Outlay	751,312	102,595	0	1,291,586	2,145,493
	<u>8,398,378</u>	<u>1,169,566</u>	<u>674,537</u>	<u>1,291,586</u>	<u>11,534,067</u>
Total Cash Disbursements	<u>8,398,378</u>	<u>1,169,566</u>	<u>674,537</u>	<u>1,291,586</u>	<u>11,534,067</u>
Total Receipts Over/(Under) Disbursements	<u>1,416,972</u>	<u>(508,976)</u>	<u>97,171</u>	<u>418,268</u>	<u>1,423,435</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	0	490,000	20,000	319,500	829,500
Transfers-Out	(929,500)	0	0	0	(929,500)
Advances-In	67,147	0	0	0	67,147
Advances-Out	(675)	0	0	(65,000)	(65,675)
	<u>(863,028)</u>	<u>490,000</u>	<u>20,000</u>	<u>254,500</u>	<u>(98,528)</u>
Total Other Financing Receipts / (Disbursements)	<u>(863,028)</u>	<u>490,000</u>	<u>20,000</u>	<u>254,500</u>	<u>(98,528)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	553,944	(18,976)	117,171	672,768	1,324,907
Fund Cash Balances, January 1	2,348,809	599,938	45,241	2,531,055	5,525,043
Fund Cash Balances, December 31	<u>\$2,902,753</u>	<u>\$580,962</u>	<u>\$162,412</u>	<u>\$3,203,823</u>	<u>\$6,849,950</u>
Reserve for Encumbrances, December 31	<u>\$128,415</u>	<u>\$30,373</u>	<u>\$0</u>	<u>\$94,874</u>	<u>\$253,662</u>

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$5,500	\$41,609	\$47,109
Fines, Licenses and Permits	0	1,500	1,500
Miscellaneous	10,173	814	10,987
Total Operating Cash Receipts	<u>15,673</u>	<u>43,923</u>	<u>59,596</u>
Operating Cash Disbursements:			
Personal Services	193,330	0	193,330
Contractual Services	0	12,077	12,077
Supplies and Materials	0	3,507	3,507
Total Operating Cash Disbursements	<u>193,330</u>	<u>15,584</u>	<u>208,914</u>
Operating Income/(Loss)	<u>(177,657)</u>	<u>28,339</u>	<u>(149,318)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	0	141,529	141,529
Total Non-Operating Cash Receipts	<u>0</u>	<u>141,529</u>	<u>141,529</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	169,897	169,897
Total Non-Operating Cash Disbursements	<u>0</u>	<u>169,897</u>	<u>169,897</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(177,657)	(29)	(177,686)
Transfers-In	100,000	0	100,000
Advances-In	0	675	675
Advances-Out	0	(2,147)	(2,147)
Net Receipts Over/(Under) Disbursements	(77,657)	(1,501)	(79,158)
Fund Cash Balances, January 1	102,819	55,389	158,208
Fund Cash Balances, December 31	<u>\$25,162</u>	<u>\$53,888</u>	<u>\$79,050</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$84</u>	<u>\$84</u>

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$886,880	\$240,835	\$0	\$0	\$1,127,715
Municipal Income Tax	6,793,552	63,426	389,375	778,749	8,025,102
Intergovernmental	538,378	234,630	0	489,242	1,262,250
Special Assessments	0	0	124,860	0	124,860
Charges for Services	182,642	8,464	0	0	191,106
Fines, Licenses and Permits	84,689	1,922	0	525	87,136
Earnings on Investments	10,704	0	0	0	10,704
Miscellaneous	15,957	15,448	0	38,350	69,755
Total Cash Receipts	8,512,802	564,725	514,235	1,306,866	10,898,628
Cash Disbursements:					
Current:					
Security of Persons and Property	3,545,231	485,669	0	0	4,030,900
Public Health Services	11,592	0	0	0	11,592
Leisure Time Activities	367,546	273,992	0	0	641,538
Basic Utility Service	185,795	0	0	0	185,795
Transportation	808,033	190,468	0	0	998,501
General Government	1,862,931	0	0	0	1,862,931
Debt Service:					
Redemption of Principal	0	0	490,000	0	490,000
Interest and Fiscal Charges	0	0	185,323	0	185,323
Capital Outlay	694,302	0	0	899,257	1,593,559
Total Cash Disbursements	7,475,430	950,129	675,323	899,257	10,000,139
Total Receipts Over/(Under) Disbursements	1,037,372	(385,404)	(161,088)	407,609	898,489
Other Financing Receipts / (Disbursements):					
Transfers-In	0	400,000	18,000	65,000	483,000
Transfers-Out	(1,285,147)	0	0	0	(1,285,147)
Total Other Financing Receipts / (Disbursements)	(1,285,147)	400,000	18,000	65,000	(802,147)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(247,775)	14,596	(143,088)	472,609	96,342
Fund Cash Balances, January 1	2,596,584	585,342	188,329	2,058,446	5,428,701
Fund Cash Balances, December 31	\$2,348,809	\$599,938	\$45,241	\$2,531,055	\$5,525,043
Reserve for Encumbrances, December 31	\$126,827	\$23,572	\$0	\$585,208	\$735,607

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Internal Service</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$40,256	\$44,330	\$84,586
Fines, Licenses and Permits	0	6,500	6,500
Miscellaneous	152,430	446	152,876
Total Operating Cash Receipts	<u>192,686</u>	<u>51,276</u>	<u>243,962</u>
Operating Cash Disbursements:			
Personal Services	964,429	0	964,429
Contractual Services	0	16,084	16,084
Supplies and Materials	0	2,599	2,599
Total Operating Cash Disbursements	<u>964,429</u>	<u>18,683</u>	<u>983,112</u>
Operating Income/(Loss)	<u>(771,743)</u>	<u>32,593</u>	<u>(739,150)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	0	97,191	97,191
Total Non-Operating Cash Receipts	<u>0</u>	<u>97,191</u>	<u>97,191</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	120,760	120,760
Total Non-Operating Cash Disbursements	<u>0</u>	<u>120,760</u>	<u>120,760</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(771,743)	9,024	(762,719)
Transfers-In	<u>800,000</u>	<u>2,147</u>	<u>802,147</u>
Net Receipts Over/(Under) Disbursements	28,257	11,171	39,428
Fund Cash Balances, January 1	<u>74,562</u>	<u>44,218</u>	<u>118,780</u>
Fund Cash Balances, December 31	<u>\$102,819</u>	<u>\$55,389</u>	<u>\$158,208</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$112</u>	<u>\$112</u>

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

**VILLAGE OF VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 View, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including maintenance of roads, rubbish collections, sanitary sewer/storm sewer facilities, building, zoning, safety services, fire and police protection.

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. 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.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts recorded at share values the mutual funds report.

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.

VILLAGE OF VALLEY
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Recreation II Fund - This fund receives property tax money levied for the acquisition, development and continued maintenance of the Valley View Woods Park.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

General Obligation Fund - This fund is used to account for the accumulation of resources for, and the payment of debt principal and interest.

Special Assessment Debt Fund - This fund is used to account for the acquisition of resources for, and payment of special assessment debt principal and interest.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project funds:

Other Capital Project VI Fund - This fund is used for road repairs, engineering projects and purchase of equipment.

5. Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

Health Insurance Fund - This fund is used to account for self-insurance receipts and payments made to the Village's third party administrator.

**VILLAGE OF VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for the accumulation of resources for, and the payment of fines collected from violators subject to the Village's legal jurisdiction and and collection of deposits for rental of Village facilities.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2010 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	\$4,678,769	\$3,823,092
Total deposits	4,678,769	3,823,092
STAR Ohio	2,250,231	1,860,159
Total investments	2,250,231	1,860,159
Total deposits and investments	\$6,929,000	\$5,683,251

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,882,496	\$9,882,497	\$1
Special Revenue	1,251,402	1,150,590	(100,812)
Debt Service	800,138	791,708	(8,430)
Capital Projects	2,378,444	2,029,354	(349,090)
Internal Service	160,000	115,673	(44,327)
Fiduciary	45,923	44,598	(1,325)
Total	\$14,518,403	\$14,014,420	(\$503,983)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$10,157,827	\$9,456,968	\$700,859
Special Revenue	1,477,372	1,199,939	277,433
Debt Service	674,935	674,537	398
Capital Projects	3,705,608	1,451,460	2,254,148
Internal Service	225,000	193,330	31,670
Fiduciary	57,071	47,599	9,472
Total	\$16,297,813	\$13,023,833	\$3,273,980

**VILLAGE OF VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,691,600	\$8,512,802	(\$178,798)
Special Revenue	1,089,369	964,725	(124,644)
Debt Service	563,000	532,235	(30,765)
Capital Projects	2,532,750	1,371,866	(1,160,884)
Internal Service	1,092,686	992,686	(100,000)
Fiduciary	61,277	53,425	(7,852)
Total	\$14,030,682	\$12,427,739	(\$1,602,943)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,927,186	\$8,887,404	\$1,039,782
Special Revenue	1,245,469	973,701	271,768
Debt Service	675,323	675,323	0
Capital Projects	3,468,665	1,484,465	1,984,200
Internal Service	1,100,000	964,429	135,571
Fiduciary	59,617	44,255	15,362
Total	\$16,476,260	\$13,029,577	\$3,446,683

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

5. Local Income Tax

The Village levies a municipal income tax of two 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.

**VILLAGE OF VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$1,285,000	4% to 6%
Special Assessment Bonds	1,090,000	4.35% to 5.55%
Total	\$2,375,000	

The General Obligation Bonds were used to (1) retire bond anticipation notes issued in 1997, (2) retire the Village's Safety Center Bonds, dated December 1, 1990, and (3) provide funds related to the Community Center. The bonds were issued in the amount of \$5,365,000 and will be repaid in semi-annual varying principal and interest payments through 2017.

Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the refunded 1990 Safety Center Bonds. As a result \$3,165,000 of these bonds were considered defeased and the liability for the refunded bonds has been removed from the Village's financial statements. The bonds matured on December 1, 2010.

The Special Assessment Bonds related to road improvement projects which were assessed back to the residents in accordance with a resident approved levy. The bonds were issued in the amount of \$3,884,500 and will be repaid in semi-annual varying principal and interest payments through 2020.

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

	General Obligation Bonds	Special Assessment Bonds
Year ending December 31:		
2011	\$535,675	\$145,495
2012	165,100	145,778
2013	163,500	145,783
2014	166,625	145,510
2015	164,200	144,960
2016-2020	325,025	721,004
Total	\$1,520,125	\$1,448,530

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**VILLAGE OF VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2010 and 2009, OPERS members contributed 10 of their gross salaries and the Village contributed an amount equaling 14 of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Self Insurance

The Village provides health insurance, dental insurance, vision, and prescription drug coverage to full-time employees through its own self-insurance program administered by Benefit Service Agency. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on the cost per employee. The Village has phased out their self insurance program starting in fiscal year 2010.

9. Jointly Governed Organizations

A. Northeast Ohio Public Energy Council (NOPEC)

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. The Village did not make any payments to NOPEC during the audit period.

**VILLAGE OF VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. Jointly Governed Organizations (Continued)

A. Northeast Ohio Public Energy Council (NOPEC) (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website, www.nopecinfo.org.

B. Southwest Council of Governments

The Southwest Council of Governments (the Council) helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions and regional development. The Board is comprised of one member from each of the sixteen participating entities. The board exercises total control over the operation of the Council including budgeting, appropriating, contracting and designating management. Budgets are adopted by the board. The Village contributed \$7,500 each in 2009 and 2010 to the Council.

The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZ MAT") which provides hazardous material protections and assistance and the Southwest Enforcement Bureau which provides extra assistance to cities in the form of a Swat Team. The Council's financial statements may be obtained by contacting the Southwest Council of Governments, Parma Heights, Ohio.

10. Criminal Investigation

The Cuyahoga County Prosecutors Office is conducting an ongoing public corruption investigation of the Village Engineer and two contractors of the Village. The Village has been cooperating with the investigation.

Based on the investigation, multiple criminal charges have been filed charging the current Village Engineer and two contractors of the Village on charges of engaging in a pattern of corrupt activity and theft-related offenses.

These matters are still under investigation and a court date is pending, however, the Village believes the likelihood of the investigation resulting in any material potential loss or liability is remote; and that any adverse outcome from these charges would pertain to the Village Engineer and two contractors subject to the investigation.



Dave Yost • 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 View
Cuyahoga County
6848 Hathaway Road
Valley View, Ohio 44124

To the Village Council:

We have audited the financial statements of the Village of Valley View, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 21, 2011 wherein we qualified our report because we were unable to determine the effect, if any, of an ongoing criminal investigation on the Capital Project Fund financial statement amounts or disclosures. We also noted the Village 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. Except for the limitation of evidence relating to the criminal investigation, 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.

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated March 21, 2011.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 21, 2011



Dave Yost • Auditor of State

VILLAGE OF VALLEY VIEW

CUYAHOGA 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
APRIL 12, 2011