



Mary Taylor, CPA
Auditor of State

VILLAGE OF VALLEY HI
LOGAN COUNTY

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Mary Taylor, CPA

Auditor of State

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

To the Members of the Commission:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

June 10, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Commission:

We have audited the accompanying financial statements of the Village of Valley Hi, Logan County (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Valley Hi, Logan County, as of December 31, 2009 and 2008, 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 June 10, 2010 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

June 10, 2010

**VILLAGE OF VALLEY HI
LOGAN COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$2,859			\$2,859
Municipal Income Tax	26,026			26,026
Intergovernmental	3,211	\$7,394	\$17,507	28,112
Fines, Licenses and Permits	1,583			1,583
Earnings on Investments	411	122		533
Total Cash Receipts	34,090	7,516	17,507	59,113
Cash Disbursements:				
Current:				
Transportation		5,374		5,374
General Government	33,513			33,513
Capital Outlay			17,507	17,507
Total Cash Disbursements	33,513	5,374	17,507	56,394
Total Receipts Over/(Under) Disbursements	577	2,142		2,719
Fund Cash Balances, January 1	35,170	11,645		46,815
Fund Cash Balances, December 31	\$35,747	\$13,787	\$0	\$49,534

See accompanying notes to the financial statements

**VILLAGE OF VALLEY HI
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$3,211		\$3,211
Municipal Income Tax	31,427		31,427
Intergovernmental	2,971	\$7,584	10,555
Fines, Licenses and Permits	1,247		1,247
Earnings on Investments	1,586	291	1,877
Total Cash Receipts	<u>40,442</u>	<u>7,875</u>	<u>48,317</u>
Cash Disbursements:			
Current:			
Transportation		7,655	7,655
General Government	43,331		43,331
Debt Service:			
Redemption of Principal	3,700		3,700
Interest and Fiscal Charges	229		229
Total Cash Disbursements	<u>47,260</u>	<u>7,655</u>	<u>54,915</u>
Total Receipts Over (Under) Disbursements	(6,818)	220	(6,598)
Fund Cash Balances, January 1	<u>41,988</u>	<u>11,425</u>	<u>53,413</u>
Fund Cash Balances, December 31	<u><u>\$35,170</u></u>	<u><u>\$11,645</u></u>	<u><u>\$46,815</u></u>

See accompanying notes to the financial statements.

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in two jointly governed organizations. Note 8 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.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following Capital Project Fund during 2009:

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH

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

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

2. EQUITY IN POOLED CASH (Continued)

	2009	2008
Demand deposits	\$24,517	\$36,815
Certificates of deposit	25,017	10,000
Total deposits	\$49,534	\$46,815

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,500	\$34,090	(\$ 5,410)
Special Revenue	7,900	7,516	(384)
Capital Projects		17,507	17,507
Total	\$47,400	\$59,113	\$11,713

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,820	\$33,513	\$8,307
Special Revenue	7,822	5,374	2,448
Capital Projects		17,507	(17,507)
Total	\$49,642	\$56,394	(\$6,752)

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,300	\$40,442	\$2,142
Special Revenue	8,000	7,875	(125)
Total	\$46,300	\$48,317	\$2,017

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,902	\$47,260	\$1,642
Special Revenue	7,822	7,655	167
Total	\$56,724	\$54,915	\$1,809

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Commission adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

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

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

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles

8. JOINTLY GOVERNED ORGANIZATION

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

VILLAGE OF VALLEY HI
Logan COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

8. JOINTLY GOVERNED ORGANIZATION (Continued)

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.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Members of the Commission:

We have audited the financial statements of the Village of Valley Hi, Logan County (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 10, 2010, wherein we 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. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the 's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

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 matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 10, 2010.

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

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

Mary Taylor, CPA
Auditor of State

June 10, 2010

**VILLAGE OF VALLEY HI
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Material Weakness

Classification of Financial Activity

The Village should have procedures in place to help assure that financial activity is correctly classified in the accounting records and financial statements to assist in the effective management and reporting of financial resources. In 2009 and 2008, all Street Fund expenditures, in the amount of \$5,374 and \$7,655, respectively, were reported as general government expenditures instead of transportation expenditures. Also, in 2009, all Capital Projects Fund expenditures for an Issue II project, in the amount of \$17,507 were reported as general government expenditures instead of capital outlay expenditures.

The failure to correctly 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. The accompanying financial statements have been adjusted to correctly reflect this financial activity.

The Village should review the Ohio Village Manual 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.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the finding reported above.

**VILLAGE OF VALLEY HI
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Classification of Revenues & Expenditures	No	Repeated as finding 2009-001.
2007-002	Ohio Rev. Code Section 5705.09(F) – the Village did not establish a Capital Projects Fund for Issue II money.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF VALLEY HI

LOGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 22, 2010