



**Auditor of State
Betty Montgomery**

VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Hunting Valley
Cuyahoga County
38251 Fairmont Boulevard
Chagrin Falls, Ohio 44022

To the Village Council:

We have audited the accompanying financial statements of the Village of Hunting Valley, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Hunting Valley, Cuyahoga County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

April 5, 2004

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**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<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:					
Local Taxes	\$629,067	\$0	\$0	\$0	\$629,067
Intergovernmental	2,597,460	22,343	0	0	2,619,803
Special Assessments	0	0	13,334	0	13,334
Charges for Services	48,117	0	0	0	48,117
Earnings on Investments	709,047	0	0	37	709,084
Fines, Licenses, and Permits	280,900	0	0	0	280,900
Miscellaneous	181,694	0	0	0	181,694
Total Cash Receipts	4,446,285	22,343	13,334	37	4,481,999
Cash Disbursements:					
Current:					
Security of Persons and Property	1,401,335	0	0	0	1,401,335
Public Health Services	30	0	0	0	30
Community Environment	410,649	0	0	0	410,649
Transportation	547,333	13,941	0	0	561,274
General Government	862,034	0	0	0	862,034
Debt Service:					
Principal Payments	100,000	0	4,759,000	0	4,859,000
Interest Payments	100,250	0	889	0	101,139
Capital Outlay	2,160,738	0	0	412,704	2,573,442
Total Cash Disbursements	5,582,369	13,941	4,759,889	412,704	10,768,903
Total Receipts Over/(Under) Disbursements	(1,136,084)	8,402	(4,746,555)	(412,667)	(6,286,904)
Other Financing Receipts and (Disbursements):					
Sale of Notes	0	0	4,752,233	0	4,752,233
Transfers-In	0	0	0	327,301	327,301
Transfers-Out	(327,301)	0	0	0	(327,301)
Total Other Financing Receipts/(Disbursements)	(327,301)	0	4,752,233	327,301	4,752,233
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,463,385)	8,402	5,678	(85,366)	(1,534,671)
Fund Cash Balances, January 1, 2003	21,374,284	16,004	2,629	85,366	21,478,283
Fund Cash Balances, December 31, 2003	<u>\$19,910,899</u>	<u>\$24,406</u>	<u>\$8,307</u>	<u>\$0</u>	<u>\$19,943,612</u>

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

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Fiduciary Fund Type
	Agency
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	\$129,618
Total Non-Operating Cash Receipts	129,618
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	171,660
Total Non-Operating Cash Disbursements	171,660
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(42,042)
Transfers-In	60,000
Transfers-Out	(60,000)
Net Receipts Over/(Under) Disbursements	(42,042)
Fund Cash Balances, January 1, 2003	212,787
Fund Cash Balances, December 31, 2003	\$170,745

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

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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:					
Local Taxes	\$984,776	\$0	\$0	\$0	\$984,776
Intergovernmental	1,887,064	20,238	0	0	1,907,302
Special Assessments	0	0	10,224	0	10,224
Charges for Services	47,939	0	0	0	47,939
Earnings on Investments	1,778,732	0	0	61,956	1,840,688
Fines, Licenses, and Permits	76,765	0	0	0	76,765
Miscellaneous	140,437	0	0	0	140,437
Total Cash Receipts	4,915,713	20,238	10,224	61,956	5,008,131
Cash Disbursements:					
Current:					
Security of Persons and Property	1,335,187	0	0	0	1,335,187
Public Health Services	30	0	0	0	30
Community Environment	241,325	0	0	0	241,325
Transportation	444,186	9,760	0	0	453,946
General Government	664,290	0	0	0	664,290
Debt Service:					0
Principal Payments	100,000	0	9,509,000	0	9,609,000
Interest Payments	290,500	0	1,777	0	292,277
Capital Outlay	372,438	0	0	5,308,573	5,681,011
Total Cash Disbursements	3,447,956	9,760	9,510,777	5,308,573	18,277,066
Total Receipts Over/(Under) Disbursements	1,467,757	10,478	(9,500,553)	(5,246,617)	(13,268,935)
Other Financing Receipts and (Disbursements):					
Sale of Notes	0	0	4,750,000	0	4,750,000
Transfers-In	1,574	0	0	1,760,000	1,761,574
Transfers-Out	(1,760,000)	0	(1,574)	0	(1,761,574)
Total Other Financing Receipts/(Disbursements)	(1,758,426)	0	4,748,426	1,760,000	4,750,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(290,669)	10,478	(4,752,127)	(3,486,617)	(8,518,935)
Fund Cash Balances, January 1, 2002	21,664,953	5,526	4,754,756	3,571,983	29,997,218
Fund Cash Balances, December 31, 2002	<u>\$21,374,284</u>	<u>\$16,004</u>	<u>\$2,629</u>	<u>\$85,366</u>	<u>\$21,478,283</u>

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

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Earnings on Investments	\$2,074
Total Operating Cash Receipts	2,074
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	48,567
Total Non-Operating Cash Receipts	48,567
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	122,925
Total Non-Operating Cash Disbursements	122,925
Net Receipts Over/(Under) Disbursements	(72,284)
Fund Cash Balances, January 1, 2002	285,071
Fund Cash Balances, December 31, 2002	\$212,787

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

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Hunting Valley, Cuyahoga County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council and Mayor. The Village provides general governmental services, including road maintenance, building inspections, and police protection. The Village contracts with the Village of Chagrin Falls for fire protection, emergency medical and dispatch services.

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

The Village is a member of the Northeast Ohio Public Energy Council ("NOPEC"), a jointly governed organization. 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 over 100 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.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each community then elect one person to serve on the eight-member NOPEC Board of Directors. The Board of Directors 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 of Directors. The Village did not contribute to NOPEC in fiscal years 2002 and 2003. Financial information can be obtained by contacting Dan DiLiberto, Board President, 1615 Clarke Avenue, Cleveland, Ohio, 44109.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village invested in Certificates of Deposits, U.S. Treasury Notes, Bills, and Government Agency Securities, which are valued at cost.

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

Bond Anticipation Note Fund – This fund is used to pay off the Village hall bond anticipation notes.

Special Assessment Bond Retirement Fund – This fund is used to account for the payment of bonds which were issued for the construction of the Village water mains.

4. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Project Fund:

Construction Fund — This fund is used to account for the construction of the new Village hall.

5. Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Construction Guarantee Deposit Fund – The Village collects and retains deposits from contractors. These funds are retained in trust by the Village until the project is completed in accordance with the Village building codes.

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 object level of control for the General Fund and the fund level of control for all other funds, and appropriations may not exceed estimated resources. The 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as a liability under the basis of accounting used by the Village.

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand Deposits	\$178,011	\$4,157,944
Money Market Accounts	12,230,663	6,018,782
Certificates of Deposit	6,100,872	49,659
Total Deposits	\$18,509,546	\$10,226,385
U.S. Government Agency Obligations	1,604,811	4,060,583
U.S. Treasury Notes	0	7,404,102
Total Investments	\$1,604,811	\$11,464,685
Total Deposits and Investments	\$20,114,357	\$21,691,070

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

Investments: U.S. Treasury Notes, Bills and Government Agency Obligations are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,052,477	\$4,446,285	\$1,393,808
Special Revenue	20,300	22,343	2,043
Debt Service	4,761,616	4,765,567	3,951
Capital Projects	250,037	327,338	77,301
Fiduciary	25,878	189,618	163,740
Total	\$8,110,308	\$9,751,151	\$1,640,843

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$24,426,856	\$5,909,670	\$18,517,186
Special Revenue	36,303	13,941	22,362
Debt Service	4,764,151	4,759,889	4,262
Capital Projects	460,403	412,704	47,699
Fiduciary	238,664	231,660	7,004
Total	\$29,926,377	\$11,327,864	\$18,598,513

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Section 5705.39, as of December 31, 2002 and December 31, 2003, the Village had appropriations exceeding estimated resources in the capital projects-Municipal Building Contractor funds as noted in the schedule of findings. Contrary to Ohio Revised Code Section 5705.41 (D), as of September 30, 2003, mid-year testing and December 31, 2002, the Village had expenditures plus encumbrances exceeding appropriations in two funds as noted in the schedule of findings.

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,252,398	\$4,917,287	\$664,889
Special Revenue	21,622	20,238	(1,384)
Debt Service	4,761,616	4,760,224	(1,392)
Capital Projects	0	1,821,956	1,821,956
Fiduciary	67,000	50,641	(16,359)
Total	\$9,102,636	\$11,570,346	\$2,467,710

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$23,613,648	\$5,207,956	\$18,405,692
Special Revenue	49,526	9,760	39,766
Debt Service	4,766,663	9,512,351	(4,745,688)
Capital Projects	5,571,983	5,308,573	263,410
Fiduciary	387,070	122,925	264,145
Total	\$34,388,890	\$20,161,565	\$14,227,325

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by each April 30.

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

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)**

5. LOCAL INCOME TAX

In 2002, the Village levied a municipal income tax of three-quarters 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. In 2003 the Village eliminated this income tax.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly, as required. RITA distributes to the Village its portion of income tax monthly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Real Estate Acquisition Bonds	\$100,000	5.00%
Bond Anticipation Notes	4,750,000	1.45%
Total	\$4,850,000	

The Real Estate Acquisition Bonds relate to an agreement between the Village and a land owner for the purchase of land located within the Village. According to the agreement, the Bonds are being repaid in annual installments of \$100,000, plus interest, over 4 years with the final installment due and paid on January 15, 2004.

The Bond Anticipation Notes were issued for the construction of a new village hall.

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

	Real Estate Acquisition Bonds	General Obligation Notes
Year ending December 31, 2004	\$105,000	\$4,818,875
Total	\$105,000	\$4,818,875

7. RETIREMENT SYSTEMS

The Village's full-time law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). All other employees belong to the Public Employees Retirement System of Ohio (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement 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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

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.

The Village also provides for health insurance and dental and vision coverage to full-time employees through a private carrier.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Hunting Valley
Cuyahoga County
38251 Fairmont Boulevard
Chagrin Falls, Ohio 44022

To the Village Council:

We have audited the financial statements of the Village of Hunting Valley, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated April 5, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the Schedule of Findings as items 2003-001 and 2003-002. We also noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated April 5, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 5, 2004.

Village of Hunting Valley
Cuyahoga County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 5, 2004

**VILLAGE OF HUNTING VALLEY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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

Finding Number	2003-001
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Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 states in part that the total appropriations from each fund should not exceed the total estimated revenue. The following fund had appropriations exceeding estimated receipts during the respective year end:

	Beginning Unencumbered Fund Balance and Estimated Receipts	Total Appropriations	Variance
At December 31, 2002			
Capital Project Fund - Municipal Building Construction	\$3,571,983	\$5,571,983	\$2,000,000
At December 31, 2003			
Capital Project Fund - Municipal Building Construction	\$335,403	\$460,403	\$125,000

We recommend that the Village compare appropriations to expenditures plus encumbrances in all funds which are legally required to be budgeted, at the legal level of control, to ensure compliance with the above requirements. This comparison should be made on a monthly basis at a minimum.

Finding Number	2003-002
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Expenditures and Encumbrances Exceeded Appropriations

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing unit from making an expenditure plus encumbrances unless it has been properly appropriated. Budgetary expenditures as enacted by the Village may not exceed appropriations at the legal level of control for all funds. The following line items had expenditures and encumbrances that exceeded appropriations both during the year and at year end:

	Appropriations	Total Expenditures and Encumbrances	Variance
At December 31, 2002			
Debt Service - Bond Retirement	\$4,765,088	\$9,510,777	(\$4,745,689)
At September 30, 2003			
Capital Project Fund - Municipal Building Construction	\$335,403	\$385,102	(\$49,699)

We recommend the Village compare appropriations to expenditures (plus encumbrances) in all funds which are legally required to be budgeted, at the legal level of control, to ensure compliance with the above requirements. This comparison should be compared on a monthly basis at a minimum.



**Auditor of State
Betty Montgomery**

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VILLAGE OF HUNTING VALLEY

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
MAY 18, 2004**