

Valley Township
Scioto County
Regular Audit
For the Years Ended December 31, 2011 and 2010



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Dave Yost • Auditor of State

Board of Trustees
Valley Township
384 Cook Road
Lucasville, Ohio 45648

We have reviewed the *Independent Auditor's Report* of Valley Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Valley Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 10, 2012

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Valley Township
Scioto County
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For the Years Ended December 31, 2011 and 2010

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Independent Auditor's Report

Board of Trustees
Valley Township
384 Cook Road
Lucasville, Ohio 45648

We have audited the accompanying financial statements of Valley Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township'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 more fully in Note 1, the Township 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 Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township 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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010, of Valley Township, Scioto County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 11, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2012 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang CPA, Inc.

June 26, 2012

Valley Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2011

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$116,387	\$210,597	\$326,984
Charges for Services	0	61,843	61,843
Licenses, Permits, and Fees	22,165	17,350	39,515
Intergovernmental	62,899	173,670	236,569
Earnings on Investments	2,906	970	3,876
Miscellaneous	9,001	8,137	17,138
Total Cash Receipts	213,358	472,567	685,925
Cash Disbursements:			
Current:			
General Government	138,928	67	138,995
Public Safety	0	91,747	91,747
Public Works	12,138	351,164	363,302
Health	24,235	23,196	47,431
Capital Outlay	4,203	21,428	25,631
Debt Service:			
Redemption of Principal	0	49,889	49,889
Interest and Other Fiscal Charges	0	10,000	10,000
Total Cash Disbursements	179,504	547,491	726,995
Total Cash Receipts Over Cash Disbursements	33,854	(74,924)	(41,070)
Fund Cash Balances, January 1	172,187	727,505	899,692
Fund Cash Balances, December 31			
Restricted for:			
Cemetery	0	25,083	25,083
Emergency Medical Services	0	108,102	108,102
Fire Equipment Purchase	0	314	314
Fire Protection	0	91,964	91,964
Road and Bridge Maintenance and Repair	0	427,118	427,118
Unassigned	206,041	0	206,041
Fund Cash Balances, December 31	\$206,041	\$652,581	\$858,622

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

Valley Township
Scioto County
*Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances*
All Governmental Fund Types
For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$110,527	\$154,708	\$265,235
Charges for Services	0	78,070	78,070
Licenses, Permits, and Fees	21,968	13,200	35,168
Intergovernmental	39,285	175,136	214,421
Earnings on Investments	4,507	2,067	6,574
Miscellaneous	5,499	5,439	10,938
Total Cash Receipts	181,786	428,620	610,406
Cash Disbursements:			
Current:			
General Government	130,610	68	130,678
Public Safety	1,325	156,506	157,831
Public Works	11,000	226,136	237,136
Health	23,468	22,630	46,098
Capital Outlay	1,250	37,540	38,790
Debt Service:			
Redemption of Principal	0	47,721	47,721
Interest and Other Fiscal Charges	0	12,167	12,167
Total Cash Disbursements	167,653	502,768	670,421
Total Cash Receipts Under Cash Disbursements	14,133	(74,148)	(60,015)
Fund Cash Balances, January 1, Restated - See Note 10	158,054	801,653	959,707
Fund Cash Balances, December 31	\$172,187	\$727,505	\$899,692

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

Valley Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Valley Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

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

Basis of Accounting

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 Township 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.

Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

General Fund

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

Special Revenue Funds

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

Gasoline Tax Fund – This fund received gasoline tax money for constructing, maintaining, and repairing Township roads.

Road Special Levy Fund – This fund received property tax monies for constructing, maintaining, and repairing Township roads.

Fire Special Levy Fund – This fund received property tax monies for fire protection.

Valley Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Process

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

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

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.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year.

A summary of the 2011 and 2010 budgetary activity appears in Note 3.

Fund Balances

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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 or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends 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.

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 the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

Valley Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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

The Township 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.

Property, Plant, and Equipment

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

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.

Note 2 – Equity in Pooled Cash

The Township 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:

	2011	2010
Demand Deposits	\$858,622	\$899,692

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,144	\$213,358	\$44,214
Special Revenue	420,593	472,567	51,974
Total	\$589,737	\$685,925	\$96,188

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$280,845	\$179,504	\$101,341
Special Revenue	967,519	547,491	420,028
Total	\$1,248,364	\$726,995	\$521,369

Valley Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 3 – Budgetary Activity (Continued)

Budgetary activity for the year ending December 31, 2010 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$174,742	\$181,786	\$7,044
Special Revenue	415,398	428,620	13,222
Total	\$590,140	\$610,406	\$20,266

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$311,462	\$167,653	\$143,809
Special Revenue	1,165,751	502,768	662,983
Total	\$1,477,213	\$670,421	\$806,792

Note 4 – Property Taxes

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

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

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

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

Note 5 – Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Loan for purchase of rescue squad	\$24,154	4.75%
Loan for purchase of fire truck	152,460	4.25%
	<u>\$176,614</u>	

The Township purchased a rescue squad through a third-party financing company to be used for public safety within the Township. The original amount of the loan was for \$90,217. Annual payments in the amount of \$25,339 are due throughout the term of the loan which concludes on March 4, 2012. The loan is secured by the rescue squad.

The Township purchased a fire truck through a third-party financing company to be used for public safety within the Township. The original amount of the loan was for \$205,000. Annual payments in the amount of \$34,549 are due throughout the term of the loan which concludes on August 20, 2016. The loan is secured by the fire truck.

Valley Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 5 – Debt (Continued)

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

Year Ending December 31:	Loan Rescue Squad	Loan Fire Truck
2012	\$25,339	\$34,549
2013	0	34,549
2014	0	34,549
2015	0	34,549
2016	0	34,549
Totals	\$25,339	\$172,745

Note 6 – Retirement System

The Township’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 this plan’s benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2011.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA’s retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Valley Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7 – Risk Management (Continued)

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

	2011	2010
Assets	\$35,086,165	\$35,855,252
Liabilities	9,718,792	10,664,724
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, liabilities noted above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$42,144.

Based on discussions with OTARMA the expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2011 and 2010 were \$21,072 and \$18,105, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Valley Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

The Township is not currently party to litigation.

Note 9 – Compliance

The Township Trustees did not adopt annual appropriations on or about the first day of 2011 or 2010, nor were temporary appropriations adopted, which is contrary to the Ohio Revised Code.

The Township had expenditures in excess of appropriations in 2011 and 2010, which is contrary to the Ohio Revised Code.

Note 10 – Restatement of Fund Cash Balances

The Township voided outstanding checks from its outstanding check list that were issued prior to 2010. These voided checks required adjustments that had the following effect on beginning fund cash balances:

	Special Revenue Funds
Fund Cash Balance, December 31, 2009	<u>\$801,501</u>
Restatement	<u>152</u>
Restated Fund Cash Balance, January 1, 2010	<u>\$801,653</u>

Note 11 – Change in Accounting Principles

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which the Township has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Township's fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Township has no funds that required fund reclassification.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Valley Township
384 Cook Road
Lucasville, Ohio 45648

We have audited the financial statements of Valley Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 26, 2012, wherein we noted the Township followed the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

Internal Control Over Financial Reporting

Management of the Township is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township'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 and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. This finding is identified as item 2011-1.

Valley Township
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-2 and 2011-3.

We noted certain matters that we reported to management of the Township in a separate letter dated June 26, 2012.

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

This report is intended solely for the information and use of management, the Board of Trustees, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang CPA, Inc.

June 26, 2012

Valley Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding Number 2011-1

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township misclassified various receipts by line item and by funds in certain instances in 2010 and 2011 that were corrected in the accompanying financial statements. This required reclassifications and adjustments to properly present the financial activity of the Township for both years. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

Client Response:

Client chose not to respond.

Finding Number 2011-2

Material Noncompliance – Annual Appropriation Measures

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the Township desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the Township until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for the year when passed. The Board of Trustees did not approve appropriations for 2010 until February 3, 2010 and 2011 until February 3, 2011. All disbursements up to the date of the appropriations measure were not properly appropriated and encumbered. This also resulted in expenditures in excess of appropriations during each year. The Board of Trustees should approve appropriations on or about the first day of each year. If the Township prefers to obtain its official certificate of estimated resources prior to adoption of its permanent appropriations, the Board of Trustees should formally approve temporary appropriations as outlined in the Ohio Revised Code.

Client Response:

Client chose not to respond.

Finding Number 2011-3

Material Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it is appropriated. The Township had expenditures in excess of appropriations in 2010 and 2011 due to expenditures made prior to adoption of appropriations. Failure to properly monitor budgetary information subjects the Township to the risk of spending in excess of authorized limits. The Township should implement additional monitoring procedures to ensure the expenditures are within authorized appropriations and that appropriations are adopted prior to expenditure of funds.

Client Response:

Client chose not to respond.

Valley Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2007-001	Noncompliance/Finding for Recovery – finding for recovery issued against Bonnie Turner, former Fiscal Officer, and her bonding company in the amount of \$2,353.13	Yes	The Township received a settlement of \$5,000 from Ms. Turner’s bonding company as payment in full in accordance with a settlement agreement. Ms. Turner was subsequently removed from the Auditor of State’s Unresolved Findings for Recovery Database.
Finding 2007-002	Noncompliance/Finding for Recovery – finding for recovery issued against Bonnie Turner, former Fiscal Officer, and her bonding company in the amount of \$1,237.55	Yes	The Township received a settlement of \$5,000 from Ms. Turner’s bonding company as payment in full in accordance with a settlement agreement. Ms. Turner was subsequently removed from the Auditor of State’s Unresolved Findings for Recovery Database.
Finding 2007-003	Noncompliance/Finding for Recovery – finding for recovery issued against Bonnie Turner, former Fiscal Officer, and her bonding company in the amount of \$3,700.00	Yes	The Township received a settlement of \$5,000 from Ms. Turner’s bonding company as payment in full in accordance with a settlement agreement. Ms. Turner was subsequently removed from the Auditor of State’s Unresolved Findings for Recovery Database.
Finding 2007-004	Noncompliance/Finding for Recovery – finding for recovery issued against Bonnie Turner, former Fiscal Officer, and her bonding company in the amount of \$7,645.47	Yes	The Township received a settlement of \$5,000 from Ms. Turner’s bonding company as payment in full in accordance with a settlement agreement. Ms. Turner was subsequently removed from the Auditor of State’s Unresolved Findings for Recovery Database.

Valley Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2011 and 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
Finding 2007-005	Noncompliance/Finding for Recovery – finding for recovery issued against Bonnie Turner, former Fiscal Officer, her bonding company, and, Jonathan Turner, former Township employee, in the amount of \$171.18 and \$106.98 respectively	Yes	The Township received a settlement of \$5,000 from Ms. Turner’s bonding company as payment in full in accordance with a settlement agreement. Ms. Turner was subsequently removed from the Auditor of State’s Unresolved Findings for Recovery Database.
Finding 2009-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2011-1
Finding 2009-2	Noncompliance –ORC Section 5705.38(A) – Annual Appropriations Measure	No	Reissued as Finding 2011-2
Finding 2009-3	Noncompliance –ORC Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2011-3



Dave Yost • Auditor of State

VALLEY TOWNSHIP

SCIOTO 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
OCTOBER 23, 2012