



Dave Yost • Auditor of State

VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Valley View, Cuyahoga County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Valley View, Cuyahoga County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Valley View adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 12, 2013

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,005,583	\$368,228			\$1,373,811
Municipal Income Tax	9,183,646		\$305,890	\$1,019,632	10,509,168
Intergovernmental	320,995	256,037		383,946	960,978
Special Assessments			125,919		125,919
Charges for Services	168,989	8,445			177,434
Fines, Licenses and Permits	134,685	1,243		225	136,153
Earnings on Investments	4,741				4,741
Miscellaneous	68,394	6,563		1,053	76,010
<i>Total Cash Receipts</i>	<u>10,887,033</u>	<u>640,516</u>	<u>431,809</u>	<u>1,404,856</u>	<u>13,364,214</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,211,634	519,258			4,730,892
Public Health Services	12,660				12,660
Leisure Time Activities	423,966	304,568			728,534
Basic Utility Services	248,724			106,848	355,572
Transportation	943,096	255,966			1,199,062
General Government	1,860,762				1,860,762
Capital Outlay	992,144	130,294		2,312,582	3,435,020
Debt Service:					
Principal Retirement			210,000		210,000
Interest and Fiscal Charges			100,877		100,877
<i>Total Cash Disbursements</i>	<u>8,692,986</u>	<u>1,210,086</u>	<u>310,877</u>	<u>2,419,430</u>	<u>12,633,379</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,194,047</u>	<u>(569,570)</u>	<u>120,932</u>	<u>(1,014,574)</u>	<u>730,835</u>
Other Financing Receipts (Disbursements)					
Transfers In		600,000	18,000	50,000	668,000
Transfers Out	(668,000)				(668,000)
Advances In	92,996			250,000	342,996
Advances Out	(252,109)			(91,000)	(343,109)
Other Financing Sources	110,000				110,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(717,113)</u>	<u>600,000</u>	<u>18,000</u>	<u>209,000</u>	<u>109,887</u>
<i>Net Change in Fund Cash Balances</i>	1,476,934	30,430	138,932	(805,574)	840,722
<i>Fund Cash Balances, January 1</i>	<u>4,345,722</u>	<u>613,258</u>	<u>354,707</u>	<u>3,359,452</u>	<u>8,673,139</u>
Fund Cash Balances, December 31					
Restricted		632,688	493,639	627,961	1,754,288
Committed		11,000		1,925,917	1,936,917
Assigned	187,734				187,734
Unassigned (Deficit)	5,634,922				5,634,922
<i>Fund Cash Balances, December 31</i>	<u>\$5,822,656</u>	<u>\$643,688</u>	<u>\$493,639</u>	<u>\$2,553,878</u>	<u>\$9,513,861</u>

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Charges for Services	\$37,403
Mayor's Court	155,043
Miscellaneous	466
	192,912
 Operating Cash Disbursements	
Mayor's Court	173,169
Contractual Services	4,606
Supplies and Materials	1,266
	179,041
 <i>Operating Income (Loss) before Advances</i>	 13,871
Advances In	2,109
Advances Out	(1,996)
	13,984
 <i>Net Change in Fund Cash Balances</i>	 13,984
 <i>Fund Cash Balances, January 1</i>	 60,640
 <i>Fund Cash Balances, December 31</i>	 \$74,624

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,019,849	\$378,334			\$1,398,183
Municipal Income Tax	8,995,193		\$731,638	\$1,045,198	10,772,029
Intergovernmental	282,553	251,524		290,611	824,688
Special Assessments			121,827		121,827
Charges for Services	159,298	9,312			168,610
Fines, Licenses and Permits	107,090	1,174		6,907	115,171
Earnings on Investments	3,778				3,778
Miscellaneous	53,179	7,022		39,749	99,950
<i>Total Cash Receipts</i>	<u>10,620,940</u>	<u>647,366</u>	<u>853,465</u>	<u>1,382,465</u>	<u>13,504,236</u>
Cash Disbursements					
Current:					
Security of Persons and Property	3,996,631	497,463			4,494,094
Public Health Services	11,559				11,559
Leisure Time Activities	386,212	259,042			645,254
Basic Utility Services	230,544			51,455	281,999
Transportation	967,552	284,669			1,252,221
General Government	1,778,631			425	1,779,056
Capital Outlay	878,483	23,896		1,657,156	2,559,535
Debt Service:					
Principal Retirement			550,000		550,000
Interest and Fiscal Charges			131,170		131,170
<i>Total Cash Disbursements</i>	<u>8,249,612</u>	<u>1,065,070</u>	<u>681,170</u>	<u>1,709,036</u>	<u>11,704,888</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,371,328</u>	<u>(417,704)</u>	<u>172,295</u>	<u>(326,571)</u>	<u>1,799,348</u>
Other Financing Receipts (Disbursements)					
Transfers In	25,837	450,000	20,000	391,200	887,037
Transfers Out	(861,200)				(861,200)
Advances In				91,000	91,000
Advances Out	(92,996)				(92,996)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(928,359)</u>	<u>450,000</u>	<u>20,000</u>	<u>482,200</u>	<u>23,841</u>
<i>Net Change in Fund Cash Balances</i>	1,442,969	32,296	192,295	155,629	1,823,189
<i>Fund Cash Balances, January 1</i>	<u>2,902,753</u>	<u>580,962</u>	<u>162,412</u>	<u>3,203,823</u>	<u>6,849,950</u>
Fund Cash Balances, December 31					
Restricted		602,258	354,707	1,077,191	2,034,156
Committed		11,000		2,282,261	2,293,261
Assigned	74,987				74,987
Unassigned (Deficit)	4,270,735				4,270,735
<i>Fund Cash Balances, December 31</i>	<u>\$4,345,722</u>	<u>\$613,258</u>	<u>\$354,707</u>	<u>\$3,359,452</u>	<u>\$8,673,139</u>

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$0	\$31,703	\$31,703
Mayor's Court		122,169	122,169
Miscellaneous		120	120
<i>Total Operating Cash Receipts</i>	<u>0</u>	<u>153,992</u>	<u>153,992</u>
Operating Cash Disbursements			
Mayor's Court		144,890	144,890
Contractual Services		3,344	3,344
Supplies and Materials		327	327
<i>Total Operating Cash Disbursements</i>	<u>0</u>	<u>148,561</u>	<u>148,561</u>
<i>Operating Income (Loss) before Transfers and Advances</i>	<u>0</u>	<u>5,431</u>	<u>5,431</u>
Transfers Out	(25,162)		(25,162)
Advances In		1,996	1,996
Advances Out		(675)	(675)
<i>Net Change in Fund Cash Balances</i>	<u>(25,162)</u>	<u>6,752</u>	<u>(18,410)</u>
<i>Fund Cash Balances, January 1</i>	<u>25,162</u>	<u>53,888</u>	<u>79,050</u>
<i>Fund Cash Balances, December 31</i>	<u>\$0</u>	<u>\$60,640</u>	<u>\$60,640</u>

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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, parks and recreation, sanitary/storm sewer facilities, building, zoning, safety services and police and fire 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.

Money market mutual funds (including STAR Ohio) are 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

Recreation I Fund – This fund receives property tax money levied for the acquisition, development, and continued maintenance of Valley View Woods Park, Lombardo Park and Don Miller Park (Tiny Lane Park).

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. 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 the payment of special assessment debt principal and interest.

4. Capital Project Funds

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

Capital Projects VI Fund – This fund is used for road repairs/replacement, engineering projects and purchase of equipment.

Capital Projects Canal Road Slope Fund – This fund is used for the construction of a retaining wall to prevent the slippage of Canal Road.

Capital Projects Hazard Mitigation Fund – This fund is used to raise resident's homes above flood level. This program received money from the Federal Government, State Ohio Emergency Management and Village.

Capital Projects Pre-Disaster Mitigation Fund - This is the second program used to raise resident's homes above flood level. This program received money from State of Ohio Emergency Management, the Village and Residents.

Sewer and Water Fund – This fund is used to construct and maintain village sanitary and storm sewers.

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:

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

Health Insurance Fund – This fund is used to account for self-insurance receipts and payments made to the Village's third party administrator concluding in 2011.

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 collection of deposits for rental of Village facilities and pavilions.

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 2011 and 2012 budgetary activity appears in Note 3.

F. Fund Balance and Changes in Accounting Principle

For fiscal year 2011, the Village has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement did not require any fund balance restatements.

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council 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.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. 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 Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

H. 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.

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:

	2011	2012
Demand deposits	\$5,191,817	\$4,542,860
Certificates of deposit	1,691,962	4,095,625
Total deposits	6,883,779	8,638,485
U.S. Treasury Notes		
STAR Ohio	1,850,000	950,000
Total investments	1,850,000	950,000
Total deposits and investments	\$8,733,779	\$9,588,485

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, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,268,435	\$11,090,029	(\$178,406)
Special Revenue	1,372,710	1,240,516	(132,194)
Debt Service	455,890	449,809	(6,081)
Capital Projects	2,021,105	1,704,856	(316,249)
Total	\$15,118,140	\$14,485,210	(\$632,930)

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,011,987	\$9,800,829	\$2,211,158
Special Revenue	1,748,695	1,285,601	463,094
Debt Service	310,877	310,877	0
Capital Projects	3,504,740	3,043,505	461,235
Total	<u>\$17,576,299</u>	<u>\$14,440,812</u>	<u>\$3,135,487</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,641,627	\$10,646,777	\$5,150
Special Revenue	1,249,051	1,097,366	(151,685)
Debt Service	985,638	873,465	(112,173)
Capital Projects	4,120,966	1,864,665	(2,256,301)
Internal Service	5,000	0	(5,000)
Total	<u>\$17,002,282</u>	<u>\$14,482,273</u>	<u>(\$2,520,009)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,247,115	\$9,278,795	\$1,968,320
Special Revenue	1,584,737	1,220,765	363,972
Debt Service	780,170	681,170	99,000
Capital Projects	4,537,314	2,154,576	2,382,738
Internal Service	25,162	25,162	0
Total	<u>\$18,174,498</u>	<u>\$13,360,468</u>	<u>\$4,814,030</u>

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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 2 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. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$700,000	5.50%
Special Assessment bonds	915,000	5.55%
Total	<u>\$1,615,000</u>	

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.

The Special Assessment Bonds related to road improvement projects which were assessed back to the property owners. 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.

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

Year ending December 31:	General Obligation Bonds	Special Assessment Bonds
2013	\$163,500	\$145,783
2014	166,625	145,510
2015	164,200	144,960
2016	161,500	144,133
2017	163,525	143,028
2018-2020		433,845
Total	\$819,350	\$1,157,259

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.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2012, OP&F participants contributed 10% of their wages. For 2011 and 2012, 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 2011 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

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.

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Contingent Liabilities

The Village is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts grantor agencies pay to the Village 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.

10. 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 174 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.

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 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 \$15,000 each in 2011 and 2012 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, 11 Berea Commons, Berea, Ohio 44017.

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. Jointly Governed Organizations (Continued)

C. Cuyahoga Valley Regional Council of Governments

The Village is a member of the Cuyahoga Valley Regional Council of Governments. The CVRCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The CVRCOG is comprised of 29 participating units of government – cities, villages, townships, counties, school districts and metroparks (located in the region surrounding the Cuyahoga Valley from Cleveland to Akron), which work as cooperative partners with the Cuyahoga Valley National Park (CVNP). Representatives are designated by the participating units of government to participate regularly in discussion forums that investigate mutual interest and concerns. The Village paid \$1,000 to the CVRCOG in 2012. To obtain more information about CVRCOG, its members and Director Dr. Stephen Kenzig go to www.cvrkog.org.

D. Quad City CERT

The Village is a member of Quad City Cert. CERT stands for Community Emergency Response Team. Quad City CERT is made up of the communities of the Village of Valley View, the Village of Brooklyn Heights, the City of Independence and the City of Seven Hills. The objective of this organization is to assist Local Emergency Services in any and all emergencies, to assist the general public in such emergencies as trained, and to train, educate, and inform the public regarding Emergency Preparedness. Quad City CERT is governed by an Executive Board consisting of two members from each community, one of which shall be the Fire Chief. The other member shall be chosen by that community's Fire Chief. The Executive Board shall appoint an Executive Director who also serves as the ninth member of the Executive Board. The Board shall direct the activities of the program for its member communities, control its finances and maintain a trained membership. The Village of Valley View serves as the host community to purchase equipment, etc and then apply for grant reimbursement from Cuyahoga County. The Village of Valley View paid a \$500 membership fee to Quad City CERT in 2012. To obtain more information about Quad City CERT go to www.quadcitycert.org.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 44125

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Valley View, Cuyahoga County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated November 12, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and in 2011 implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

November 12, 2013



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
NOVEMBER 26, 2013**