



**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005



Mary Taylor, CPA
Auditor of State

VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 9, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Valley View, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows, where applicable, 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 and reserves for encumbrances of the Village of Valley View, Cuyahoga County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 9, 2007

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$976,299	\$337,447	\$0	\$0	\$1,313,746
Municipal Income Tax	7,761,660	0	0	0	7,761,660
Intergovernmental	383,160	250,973	0	0	634,133
Special Assessments	0	0	130,009	0	130,009
Charges for Services	145,029	8,383	0	0	153,412
Fines, Licenses and Permits	101,533	4,303	0	625	106,461
Earnings on Investments	305,256	0	0	0	305,256
Miscellaneous	79,492	5,626	0	0	85,118
Total Cash Receipts	<u>9,752,429</u>	<u>606,732</u>	<u>130,009</u>	<u>625</u>	<u>10,489,795</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	3,365,298	452,482	0	0	3,817,780
Public Health Services	12,446	0	0	0	12,446
Leisure Time Activities	395,190	469,011	0	0	864,201
Basic Utility Service	263,633	0	0	0	263,633
Transportation	738,036	229,501	0	0	967,537
General Government	1,737,079	0	0	0	1,737,079
Debt Service:					
Redemption of Principal	0	0	420,000	0	420,000
Interest and Fiscal Charges	0	0	248,037	0	248,037
Capital Outlay	1,242,078	258,760	0	2,634,672	4,135,510
Total Cash Disbursements	<u>7,753,760</u>	<u>1,409,754</u>	<u>668,037</u>	<u>2,634,672</u>	<u>12,466,223</u>
Total Receipts Over/(Under) Disbursements	<u>1,998,669</u>	<u>(803,022)</u>	<u>(538,028)</u>	<u>(2,634,047)</u>	<u>(1,976,428)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	1,911	1,235,632	527,214	3,006,323	4,771,080
Transfers-Out	(5,169,169)	0	0	0	(5,169,169)
Other Financing Uses	0	0	0	(252,417)	(252,417)
Total Other Financing Receipts / (Disbursements)	<u>(5,167,258)</u>	<u>1,235,632</u>	<u>527,214</u>	<u>2,753,906</u>	<u>(650,506)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(3,168,589)</u>	<u>432,610</u>	<u>(10,814)</u>	<u>119,859</u>	<u>(2,626,934)</u>
Fund Cash Balances, January 1, 2006	5,725,772	543,192	224,069	3,431,043	9,924,076
Fund Cash Balances, December 31, 2006	<u><u>\$2,557,183</u></u>	<u><u>\$975,802</u></u>	<u><u>\$213,255</u></u>	<u><u>\$3,550,902</u></u>	<u><u>\$7,297,142</u></u>
Reserve for Encumbrances, December 31, 2006	<u>\$63,094</u>	<u>\$134,268</u>	<u>\$0</u>	<u>\$1,070,204</u>	<u>\$1,267,566</u>

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Internal Service</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$55,933	\$45,400	\$101,333
Miscellaneous	6,528	240	6,768
Total Operating Cash Receipts	<u>62,461</u>	<u>45,640</u>	<u>108,101</u>
Operating Cash Disbursements:			
Personal Services	547,627	0	547,627
Contractual Services	0	14,139	14,139
Supplies and Materials	0	324	324
Other	54	0	54
Total Operating Cash Disbursements	<u>547,681</u>	<u>14,463</u>	<u>562,144</u>
Operating Income/(Loss)	<u>(485,220)</u>	<u>31,177</u>	<u>(454,043)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	0	118,896	118,896
Total Non-Operating Cash Receipts	<u>0</u>	<u>118,896</u>	<u>118,896</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	146,577	146,577
Total Non-Operating Cash Disbursements	<u>0</u>	<u>146,577</u>	<u>146,577</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(485,220)	3,496	(481,724)
Transfers-In	400,000	0	400,000
Transfers-Out	0	(1,911)	(1,911)
Net Receipts Over/(Under) Disbursements	<u>(85,220)</u>	<u>1,585</u>	<u>(83,635)</u>
Fund Cash Balances, January 1, 2006	<u>169,608</u>	<u>41,805</u>	<u>211,413</u>
Fund Cash Balances, December 31, 2006	<u>\$84,388</u>	<u>\$43,390</u>	<u>\$127,778</u>
Reserve for Encumbrances, December 31, 2006	<u>\$0</u>	<u>\$45</u>	<u>\$45</u>

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property and Local Taxes	\$957,009	\$345,697	\$0	\$0	\$1,302,706
Municipal Income Tax	8,139,013	0	0	0	8,139,013
Intergovernmental	296,086	239,981	0	0	536,067
Special Assessments	0	0	149,860	0	149,860
Charges for Services	141,671	13,695	0	0	155,366
Fines, Licenses and Permits	135,182	1,396	0	660	137,238
Earnings on Investments	187,186	0	0	0	187,186
Miscellaneous	67,129	5,430	0	0	72,559
	<u>9,923,276</u>	<u>606,199</u>	<u>149,860</u>	<u>660</u>	<u>10,679,995</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	3,189,400	434,456	0	0	3,623,856
Public Health Services	12,809	0	0	0	12,809
Leisure Time Activities	364,582	437,523	0	0	802,105
Basic Utility Service	175,733	0	0	84,570	260,303
Transportation	681,626	299,620	0	0	981,246
General Government	1,605,350	0	0	51,367	1,656,717
Debt Service:					
Redemption of Principal	0	0	401,000	0	401,000
Interest and Fiscal Charges	0	0	273,622	0	273,622
Capital Outlay	1,360,031	35,461	0	785,508	2,181,000
	<u>7,389,531</u>	<u>1,207,060</u>	<u>674,622</u>	<u>921,445</u>	<u>10,192,658</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>2,533,745</u>	<u>(600,861)</u>	<u>(524,762)</u>	<u>(920,785)</u>	<u>487,337</u>
Other Financing Receipts / (Disbursements):					
Transfers-In	0	707,942	547,907	1,426,375	2,682,224
Transfers-Out	(3,084,135)	0	0	0	(3,084,135)
	<u>(3,084,135)</u>	<u>707,942</u>	<u>547,907</u>	<u>1,426,375</u>	<u>(401,911)</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(550,390)	107,081	23,145	505,590	85,426
Fund Cash Balances, January 1, 2005	6,276,162	436,111	200,924	2,925,453	9,838,650
Fund Cash Balances, December 31, 2005	<u><u>\$5,725,772</u></u>	<u><u>\$543,192</u></u>	<u><u>\$224,069</u></u>	<u><u>\$3,431,043</u></u>	<u><u>\$9,924,076</u></u>
Reserve for Encumbrances, December 31, 2005	<u><u>\$68,275</u></u>	<u><u>\$33,042</u></u>	<u><u>\$816</u></u>	<u><u>\$294,563</u></u>	<u><u>\$396,696</u></u>

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Internal Service</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$47,252	\$30,504	\$77,756
Fines, Licenses and Permits	\$0	\$0	0
Miscellaneous	102,211	610	102,821
Total Operating Cash Receipts	<u>149,463</u>	<u>31,114</u>	<u>180,577</u>
Operating Cash Disbursements:			
Personal Services	546,730	0	546,730
Contractual Services	0	3,315	3,315
Supplies and Materials	0	1,638	1,638
Other	27	0	27
Total Operating Cash Disbursements	<u>546,757</u>	<u>4,953</u>	<u>551,710</u>
Operating Income/(Loss)	<u>(397,294)</u>	<u>26,161</u>	<u>(371,133)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts	0	150,680	150,680
Total Non-Operating Cash Receipts	<u>0</u>	<u>150,680</u>	<u>150,680</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	0	190,311	190,311
Total Non-Operating Cash Disbursements	<u>0</u>	<u>190,311</u>	<u>190,311</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(397,294)	(13,470)	(410,764)
Transfers-In	400,000	1,911	401,911
Net Receipts Over/(Under) Disbursements	2,706	(11,559)	(8,853)
Fund Cash Balances, January 1, 2005	<u>166,902</u>	<u>53,364</u>	<u>220,266</u>
Fund Cash Balances, December 31, 2005	<u>\$169,608</u>	<u>\$41,805</u>	<u>\$211,413</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, 2006 AND 2005**

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

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

B. Accounting Basis

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

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

C. Cash and Investments

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

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Debt Service Funds

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

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

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

4. Capital Project Funds

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

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

5. Internal Service Fund

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

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

6. Fiduciary Funds (Agency 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 fund accounts for the accumulation of resources for, and the payment of fines collected from violators subject to the Village's legal jurisdiction.

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Cash and Investments

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. Equity in Pooled Cash and Investments (Continued)

	2006	2005
Demand deposits	\$3,181,521	\$3,061,380
Certificates of deposit	1,104,399	1,054,109
Total deposits	4,285,920	4,115,489
STAR Ohio	3,139,000	6,020,000
Total investments	3,139,000	6,020,000
Total deposits and investments	\$7,424,920	\$10,135,489

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, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,250,010	\$9,754,340	(\$495,670)
Special Revenue	1,911,957	1,842,364	(69,593)
Debt Service	743,200	657,223	(85,977)
Capital Projects	3,164,660	3,006,948	(157,712)
Internal Service	705,759	462,461	(243,298)
Total	\$16,775,586	\$15,723,336	(\$1,052,250)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$15,311,675	\$12,986,023	\$2,325,652
Special Revenue	2,200,542	1,544,022	656,520
Debt Service	673,759	668,037	5,722
Capital Projects	5,094,563	3,957,293	1,137,270
Internal Service	600,000	547,681	52,319
Total	\$23,880,539	\$19,703,056	\$4,177,483

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$9,840,731	\$9,923,276	\$82,545
Special Revenue	1,351,465	1,314,141	(37,324)
Debt Service	800,000	697,767	(102,233)
Capital Projects	1,755,688	1,427,035	(328,653)
Internal Service	551,000	549,463	(1,537)
Total	\$14,298,884	\$13,911,682	(\$387,202)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,109,276	\$10,541,941	\$2,567,335
Special Revenue	1,568,757	1,240,102	328,655
Debt Service	677,520	675,438	2,082
Capital Projects	2,786,304	1,216,008	1,570,296
Internal Service	600,000	546,757	53,243
Total	\$18,741,857	\$14,220,246	\$4,521,611

Contrary to Ohio law, the Village did not follow competitive bidding procedures for one project over the bid limit. In addition, contrary to Ohio law, two change orders were approved without an initial contract and after the work was already completed.

Contrary to Ohio law, donations received by the Mayor for performing wedding ceremonies and from a summer event hosted by the Mayor are not deposited into the Village's treasury.

Contrary to Ohio law, the Mayor solicited donations for performing wedding ceremonies.

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.

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.

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

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. Local Income Tax

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

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

6. Debt

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$2,910,000	4% - 6%
Special Assessment Bonds	1,390,000	4.35% - 5.55%
Total	\$4,300,000	

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

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

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

	General Obligation Bonds	Special Assessment Bonds
Year ending December 31:		
2007	\$527,300	\$144,678
2008	535,425	146,423
2009	532,425	142,897
2010	529,600	144,335
2011	535,675	145,494
2012 – 2016	820,925	726,164
2017 – 2020	180,101	576,873
Total	\$3,661,451	\$2,026,864

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. Retirement Systems

The Village's certified Fire Fighters and full-time Police Officers belong to the Ohio 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 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, 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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Self Insurance

The Village provides health insurance, dental, vision and prescription drug coverage to full-time employees through their own self-insurance program administered by Benefit Services Agency.

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Valley View, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 9, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 9, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 9, 2007.

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



Mary Taylor, CPA
Auditor of State

November 9, 2007

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Bidding of Contracts - Noncompliance Citation and Significant Deficiency

Ohio Revised Code § 735.05 generally provides that municipal contracts for material and labor which exceed \$25,000 are subject to competitive bidding procedures. Competitive bidding procedures require that a contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the municipality.

Ohio Revised Code § 735.07 provides, in part, that when in the opinion of the director of public service, it becomes necessary, in the prosecution of any work or improvement under contract, to alter or modify a contract, such alterations or modifications can only be made upon the order of the director. A change order is not effective until the price to be paid for the work and material or both, under the altered or modified contract, has been agreed upon in writing and signed by the director and by the contractor. Where a board of control exists, the board must approve contract modifications.

On July 18, 2006, the Village Council approved Ordinance No. 2006-7-5 authorizing the Mayor to enter into a contract with Fox Construction to repair the ravine and extend the 36" storm sewer at Alexander Road as a result of major erosion that occurred subsequent to the June 2006 flood and declaring an emergency at a cost of \$300,000.

On August 30, 2006, the Village Engineer recommended the 36" storm sewer be extended an additional 100 feet. It was also recommended by the Engineer that since Fox Construction was already on site, it would be easier and less costly to extend the storm sewer while they were already working in the ravine. On September 5, 2006, the Village Council approved Ordinance No. 2006-9-5 authorizing the Mayor to enter into an agreement for a change order for the Alexander Road storm sewer project for an amount not to exceed \$100,000.

In a letter dated November 1, 2006, the Village Engineer informed the Village that the costs of Fox Construction's work will require another change order of approximately \$225,000 over and above the work that was previously approved. In the same letter, the Village Engineer also stated that because of the cold and wet weather, final cleanup is almost impossible and therefore, the Village will need to hire a contractor in the spring to complete the project and to cleanup and restore disturbed areas. On November 7, 2006, the Village Council approved Ordinance No. 2006-11-9 authorizing the Mayor to enter into an agreement for a change order for the Alexander Road storm sewer project.

Although it was determined by the Village Engineer that it would be easier and less costly to have Fox Construction extend the storm sewer because they were already doing work in the ravine, this additional work should have followed competitive bidding procedures as stated above. The two change orders amounted to \$325,000, which was more than the original construction cost of \$300,000. In addition, even more costs will need to be incurred to complete the project.

As stated above, a change order is not effective until the price to be paid for the work and material or both, under the altered or modified contract, has been agreed upon in writing and signed by the director and by the contractor. Although Village Council authorized the Mayor to enter into an initial contract with Fox Construction, no actual contract was ever entered into. Both change orders were approved by Village Council after the Village had already been invoiced for the work the change orders specified.

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

**FINDING NUMBER 2006-001
(Continued)**

Bidding of Contracts - Noncompliance Citation and Significant Deficiency (Continued)

We recommend the Village enforce competitive bidding procedures for awarding contracts and all contract modifications or alterations be approved by Village Council and the Clerk-Treasurer before the work has begins.

FINDING NUMBER 2006-002

Deposit of Public Funds - Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 9.38 provides, in part, a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

In a letter from the Mayor dated June 11, 2007 to local area business owners and management teams, the Mayor states that he will be hosting a summer event for the residents of the Village called "Community Freedom Day." The letter asks for donations in an effort to offer half-hourly drawings for those in attendance. Acceptable donations include: 1) products or gift certificates promoting your business; 2) checks or monetary contributions of any amount will be converted into useful gift items in association with the summer event; and 3) contributions of \$250 for event sponsors which includes recognition in the Mayor's monthly newsletter to all Village residents. Donators are asked to make checks payable to "Lea Abraham" who is the event coordinator and an employee of the Village. The letter also states that representatives of the Village will pick up donations. This letter is on the Village's letterhead and signed by the Mayor.

In violation of the Ohio Revised Code Section stated above, at no point are the donations received from this event deposited into the Village's treasury.

We recommend all funds received as a result of "Community Freedom Day" be deposited into the Village's treasury per the Ohio Revised Code Section stated above. In addition, the Council should develop procedures to be followed for future events, including safeguarding of assets donated, depositing monies received and accountability of the monies spent.

**VILLAGE OF VALLEY VIEW
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND DECEMBER 31, 2005
(Continued)**

FINDING NUMBER 2006-003

Soliciting or Accepting Improper Compensation – Noncompliance Citation

Ohio Revised Code Section 2921.43 (A)(1) provides, no public servant shall knowingly solicit or accept, and no person shall knowingly promise or give to a public servant any compensation, other than as allowed by divisions (G), (H), and (I) of section 102.03 of the Revised Code or other provisions of law, to perform the public servant's official duties, to perform any other act or service in the public servant's public capacity, for the general performance of the duties of the public servant's public office or public employment, or as a supplement to the public servant's public compensation.

As part of an e-mail from the Mayor to an individual regarding performing his wedding ceremony dated September 18, 2006, the Mayor states, in part, "Ceremony is at No Charge, however, sometimes people choose to donate to my campaign fund (no more than \$50)." As a result, the Mayor solicited funds to perform an act or service in his public capacity and is in violation of the Ohio Revised Code Section stated above.

Ohio Revised Code Section 9.38 provides, in part, a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

Donations to the Mayor's campaign fund for performing wedding ceremonies were not deposited into the Village's treasury, which is a violation of the Ohio Revised Code Section as stated in the above paragraph.

We recommend the Mayor discontinue soliciting donations to his campaign fund. In addition, any donations received by the Mayor for performing weddings should be deposited into the Village's General Fund.

We did not receive a response from Officials to the findings reported above.



Mary Taylor, CPA
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
DECEMBER 11, 2007**