



Mary Taylor, CPA
Auditor of State

VALLEY TOWNSHIP
SCIOTO COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	24

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Mary Taylor, CPA
Auditor of State

Valley Township
Scioto County
384 Cook Road
Lucasville, Ohio 45648

To the Board of Trustees:

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

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Auditor of State

December 15, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Valley Township
Scioto County
384 Cook Road
Lucasville, Ohio 45648

To the Board of Trustees:

We have audited the accompanying financial statements of Valley Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. 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 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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 townships 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.

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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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Valley Township, Scioto County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township 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 December 15, 2008, on our consideration of the Township'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

December 15, 2008

**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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$74,856	\$237,949	\$312,805
Charges for Services		42,404	42,404
Licenses, Permits, and Fees	18,162	15,965	34,127
Intergovernmental	37,987	154,797	192,784
Earnings on Investments	1,650	247	1,897
Miscellaneous	455	15,193	15,648
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	133,110	466,555	599,665
Cash Disbursements:			
Current:			
General Government	53,409	16,411	69,820
Public Safety	49	90,933	90,982
Public Works	9,898	164,107	174,005
Health	27,250	27,371	54,621
Conservation - Recreation	65		65
Other			0
Capital Outlay	15,008	27,549	42,557
Debt Service:			
Redemption of Principal		21,452	21,452
Interest and Other Fiscal Charges		3,251	3,251
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	105,679	351,074	456,753
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	27,431	115,481	142,912
Other Financing Receipts / (Disbursements):			
Other Financing Sources	<hr/>	<hr/>	<hr/>
	271		271
Total Other Financing Receipts / (Disbursements)	<hr/>	<hr/>	<hr/>
	271	0	271
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	27,702	115,481	143,183
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	60,614	589,418	650,032
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$88,316	\$704,899	\$793,215

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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$77,062	\$246,402	\$323,464
Charges for Services		36,426	36,426
Licenses, Permits, and Fees	17,466	19,055	36,521
Intergovernmental	16,763	123,111	139,874
Earnings on Investments	2,265	337	2,602
Miscellaneous	315	5,695	6,010
	<u>113,871</u>	<u>431,026</u>	<u>544,897</u>
Cash Disbursements:			
Current:			
General Government	105,179		105,179
Public Safety	7,089	96,360	103,449
Public Works	10,000	186,402	196,402
Health	24,538	20,218	44,756
Capital Outlay	6,633	136,362	142,995
	<u>153,439</u>	<u>439,342</u>	<u>592,781</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(39,568)</u>	<u>(8,316)</u>	<u>(47,884)</u>
Other Financing Receipts / (Disbursements):			
Other Debt Proceeds		67,500	67,500
Other Financing Sources	575		575
	<u>575</u>	<u>67,500</u>	<u>68,075</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(38,993)	59,184	20,191
Fund Cash Balances, January 1	<u>99,607</u>	<u>530,234</u>	<u>629,841</u>
Fund Cash Balances, December 31	<u><u>\$60,614</u></u>	<u><u>\$589,418</u></u>	<u><u>\$650,032</u></u>

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

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 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.

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 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.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Fire Special Levy Fund- This fund receives property tax money for fire protection.

D. Budgetary Process

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

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

E. 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.

F. 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

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

	<u>2006</u>	<u>2007</u>
Demand deposits	<u>\$650,032</u>	<u>\$793,215</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,380	\$133,381	\$1
Special Revenue	466,226	466,555	329
Total	\$599,606	\$599,936	\$330

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,097	\$105,679	\$40,418
Special Revenue	1,065,849	351,074	714,775
Total	\$1,211,946	\$456,753	\$755,193

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$114,446	\$114,446	\$0
Special Revenue	498,526	498,526	0
Total	\$612,972	\$612,972	\$0

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$211,411	\$153,439	\$57,972
Special Revenue	1,007,942	439,342	568,600
Total	\$1,219,353	\$592,781	\$626,572

4. PROPERTY TAX

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.

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

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 Township.

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Loan for purchase of truck	\$46,048	4.75%

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 \$67,500. Annual payments in the amount of \$24,703 are due throughout the term of the note which concludes on March 17, 2009. The full faith and credit of the Township is pledged to repay this debt.

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

	Truck Loan
Year ending December 31:	
2008	\$24,703
2009	24,703
Total	\$49,406

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. RISK MANAGEMENT

Risk Pool Membership

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

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

The Township belongs to 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.

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

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 \$10,000,000 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 a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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, 2007 and 2006:

	2007	2006
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$ 29,852,866	\$ 29,921,614

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 collectible in future years is approximately \$15,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges 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 annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2005	\$	19,096
2006	\$	18,539
2007	\$	15,522

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.



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*

Valley Township
Scioto County
384 Cook Road
Lucasville, Ohio 45648

To the Board of Trustees:

We have audited the financial statements of Valley Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 15, 2008, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined 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 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 Township'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 Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: Finding Number 2007-010.

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

Our consideration of the 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. However, we believe Finding Number 2007-010 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 15, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-009.

We also noted certain noncompliance or other matters not requiring inclusion in the report that we reported to the Township's management in a separate letter dated December 15, 2008.

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

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



Mary Taylor, CPA
Auditor of State

December 15, 2008

VALLEY TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation-Finding for Recovery

State ex rel. McClure v. Hagerman (1951) 155 Ohio St 320, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2007 and 2006, the Township reimbursed Bonnie Turner, the former Fiscal Officer for her personal home telephone line. A total of \$1,235.18 was paid during 2007 and \$1,117.95 during 2006, totaling \$2,353.13. However, during this time the Township was already providing telephone service for the Fiscal Officer. The Township paid for a Township phone line in the Fiscal Officer's home, as well as a Township cell phone. The Township Trustees have stated that the former Fiscal Officer did not receive prior approval for payment of her home telephone line, nor did she provide them with supporting documentation for checks that were to be paid. Instead she would present checks to them and verbally explained what the payment was for. When Ms. Turner presented payments to the Trustees she never explained a payment was for her personal home telephone line. The Trustees were not aware and did not provide prior approval for this reimbursement.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Bonnie Turner, Former Township Fiscal Officer, in the amount of \$2,353.13, and Ohio Township Association Risk Management Authority, her bonding company, jointly and severally, in favor of the Township's General Fund.

FINDING NUMBER 2007-002

Noncompliance Citation-Finding for Recovery

State ex rel. McClure v. Hagerman (1951) 155 Ohio St 320, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced. Additionally, the Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

VALLEY TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-002 (Continued)

Noncompliance Citation-Finding for Recovery (Continued)

The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Mr. Larry Turner served as the Fire Department Safety Officer; however, his position was terminated on January 10, 2006. Despite his termination, the Township continued to pay a cell phone bill for him. A total of \$523.01 was paid during 2007 and \$714.54 during 2006, totaling \$1,237.55.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Mr. Larry Turner, former Fire Department Safety Officer, in the amount of \$1,237.55, in favor of the Township's General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp.(1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Bonnie Turner held the Township Fiscal Officer position during the entire audit period.

Therefore, because Bonnie Turner, former Township Fiscal Officer; approved and signed the warrants resulting in the improper payments, she is jointly and severally liable in the amount of \$1,237.55; and the Ohio Township Association Risk Management Authority, her bonding company, in favor of the Township's General Fund.

The Township Fiscal Officer noted above approved and signed the warrants resulting in the improper payments and shall be secondarily liable for such improper payments to the extent that recovery or restitution is not obtained from Larry Turner.

FINDING NUMBER 2007-003

Noncompliance Citation-Finding for Recovery

Bonnie Turner, former Fiscal Officer, received cash payments from the Cemetery Sexton for cemetery lot sales and the opening and closings of graves. Ms. Turner would issue a duplicate receipt to the Cemetery Sexton upon receipt of the cash payments. During testing it was noted that several cash payments were received by the Fiscal Officer but not deposited to the bank.

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

Noncompliance Citation-Finding for Recovery (Continued)

Cemetery Sexton Duplicate Receipt			Fiscal Officer Duplicate Receipt			UAN Receipt		
Number	Date	Amount	Number	Date	Amount	Number	Date	Amount
464817	5/18/2007	\$ 750	151334	6/7/2007	\$ 750	82-2007	8/7/2007	\$ 750
464819	5/25/2007	35	151335	6/7/2007	35	83-2007	8/7/2007	35
None	None	None	None	None	None	97-2007	8/7/2007	15
								\$ 800

The Cemetery Sexton receipt numbers 464817 and 464819 indicated payments were made in cash. No duplicate receipt could be located for UAN receipt number 97-2007.

During testing of 2006 cemetery lot sales, we noted the following manual duplicate receipts were prepared by the Cemetery Sexton and the Fiscal Officer:

Cemetery Sexton Duplicate Receipt			Fiscal Officer Duplicate Receipt		
Number	Date	Amount	Number	Date	Amount
483407	4/14/2006	\$ 750	151281	4/15/2006	\$ 750
483408	4/14/2006	750	151282	4/15/2006	750
483436	10/6/2006	800	151312	10/11/2006	800
		\$ 2,300			\$ 2,300

The Cemetery Sexton receipts indicated the payments listed above were made in cash. These receipts were not posted to the UAN system, nor were they deposited to the bank.

We also noted the following receipts which were posted to the UAN system, however, were not deposited to the bank:

UAN Receipt		
Number	Date	Amount
8-2006	2/22/2006	\$ 300
13-2006	2/22/2006	300
		\$ 600

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for monies collected but unaccounted for is hereby issued against Bonnie Turner, former Fiscal Officer, and Ohio Township Association Risk Management Authority, her bonding company, jointly and severally, in the amount of \$3,700, in favor of the Township's Cemetery Fund.

VALLEY TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-004

Noncompliance Citation-Finding for Recovery

A Township has no authority to purchase additional service for its elected officers under R.C. 145.201, See Ohio Attorney General Opinion No. 04-048.

Bonnie Turner, former Fiscal Officer, paid herself \$7,645.47 on October 25, 2006 via check number 10442. The invoice attached to this voucher was from Public Employee Retirement Systems (PERS), and indicated this was to purchase an additional 35% service credit in accordance with Ohio Rev. Code Section 145.201 for Bonnie Turner. The total amount to be paid was \$15,290.94 (\$7,645.47 for Savings Fund Contribution and \$7,645.47 for Employer Accumulation Fund Contribution). The invoice indicates that the total amount due must be paid in one payment. Attached to the back of the voucher packet was voided check number 10416 dated September 28, 2006 for \$7,645.47. The former Fiscal Officer had originally issued the check directly to PERS and had it signed by all Trustees. She then voided the check and re-issued it to herself.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for monies illegally expended is hereby issued against Bonnie Turner, former Fiscal Officer, in the amount of \$7,645.47, and the Ohio Township Association Risk Management Authority, her bonding company, in favor of the Township's General Fund.

FINDING NUMBER 2007-005

Noncompliance Citation-Finding for Recovery

The Township paid a total of \$278.16 for two cell phones and accessories purchased for Bonnie Turner, former Fiscal Officer, and Jonathan Turner, Township employee, via check number 11107, dated September 27, 2007. The documentation of the purchase details Bonnie Turner's purchase totaled \$171.18 and Jonathan Turner's purchase totaled \$106.98. Upon resignation, Turner did not return the cell phone and accessories purchased for her cell phone line to the township. Additionally, Turner's duties have since changed, and the Board no longer authorizes Turner to utilize a cell phone. Upon Turner's position change, the newly purchased cell phone for his phone line was not returned to the Township.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public property converted or misappropriated is hereby issued against Bonnie Turner, former Fiscal Officer, in the amount of \$171.18; and Jonathan Turner, Township Employee, in the amount of \$106.98; and the Ohio Township Association Risk Management Authority, their bonding company, jointly and severally, in favor of the Township's Road and Bridge Fund.

Officials' Response to Findings 2007-001 through 2007-005: The findings for recovery above were due to fraud and misrepresentation to the Trustees by the former Fiscal Officer, Bonnie Turner. The current Fiscal Officer, Lanette Wagner has made it very clear to the Trustees that if they are not comfortable with signing any warrant they are welcome to question her or to request physical proof of any item being paid without any fear of reprisal. Trustees are also welcome to review Township books and records at any time, again without fear of reprisal of any kind by Ms. Wagner.

VALLEY TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-006

Noncompliance Citation

Ohio Rev. Code Section 149.351 (A) establishes guidelines against the destruction or damage of records. This section states, in pertinent part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

The Township reimbursed the former Fiscal Officer, Bonnie Turner, a total of \$3,439.83. These payments were listed as payments for insurance premiums. However, no official supporting documentation was provided to indicate the amounts paid were for insurance premiums. All other Township Officials provided the necessary documentation indicating their payments were appropriate. As no documentation was presented to support this payment we could not determine if these expenditures were allowable or for a proper public purpose.

Additionally, Bonnie Turner was reimbursed \$288.78, via check number 11250, dated November 29, 2007. No supporting documentation existed for this reimbursement; therefore, we could not determine if these expenditures were allowable or for a proper public purpose.

The failure to maintain supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and/or irregularities to occur and remain undetected by management for an extended period of time. Without appropriate documentation, it is not possible to determine if the expenditures were made for a proper public purpose. In addition, the failure to maintain adequate support for expenditures could result in the Township making inappropriate disbursements for goods or services not actually received by the Township or result in expenditures that are not for a proper public purpose.

Officials' Response: The current Fiscal Officer has already adopted the procedure of attaching documentation to the warrant vouchers for documentation purposes and will do so for any health insurance reimbursements as well.

FINDING NUMBER 2007-007

Noncompliance Citation

Ohio Rev. Code Section 149.351(A) states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under section 149.38 to 149.42 of the Ohio Rev. Code.

During testing of 2007 cemetery receipts, we noted 30% of duplicate receipts prepared by the Fiscal Officer could not be provided. During 2006, 5% of duplicate receipts prepared by the Cemetery Sexton and 27% of duplicate receipts prepared by the Fiscal Officer could not be provided. This resulted in an inability to determine the completeness of cemetery receipts.

VALLEY TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-007 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 149.351(A) (Continued)

We also noted no formal fee schedule could be provided for the sale of cemetery lots or for the opening/closing of graves. In addition, during 2006, 40% of cemetery lot sales could not be traced to the Cemetery Deed Reference Books. The only record of payment for those lots was the duplicate receipt and the receipt ledger. This could lead to questions regarding prices charged for the sale of cemetery lots and for the openings/closings of graves. Also, this results in the tracking of cemetery lots to be cumbersome.

We recommend all supporting documentation be retained. We also recommend the Township approve a formal fee schedule for the sale of cemetery lots and the openings/closings of graves. In addition, we recommend the Township require all supporting documentation to be maintained in order for the Township to ensure that all receipts are accurate and appropriate.

Officials' Response: We feel we have put in place a satisfactory system for recording the cemetery receipts. When the Cemetery Sexton brings receipts to the Fiscal Officer, she will record them immediately in the receipt book with the original receipt given to the Sexton for his records. The Fiscal Officer will also keep a copy of the receipts the Sexton writes. Also, the Sexton is now using a triplicate receipt book in which one copy goes to the payer, one copy goes to the Fiscal Officer when the receipts are turned in, and one copy remains intact in the receipt book. The Sexton will also maintain any voided receipts in the receipt book as well. In addition, we are in the process of reviewing the current fee schedule and should have a new one approved at the December 2008 year end meeting.

FINDING NUMBER 2007-008

Noncompliance Citation

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

For example, a government employee other than the fiscal officer collecting funds and issuing a receipt must deposit the funds with the government's fiscal officer on the business day following the day of receipt. As an alternative to depositing the funds with the government's fiscal officer, the employee instead may deposit funds with the government's designated depository on the business day following the day of receipt.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-008 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 9.38 (Continued)

During 2007 and 2006, receipts were only deposited to the bank six days during each year. This resulted in 100% of cemetery receipts not being deposited timely.

We recommend the Board of Trustees adopt a policy which requires receipts to be deposited with the Fiscal Officer or designated depository by the next business day following the day of receipt. If the Board feels it is appropriate, they may include in the policy that amounts less than \$1,000 may be held, if properly safeguarded, for a period not to exceed 3 business days as described above.

Officials' Response: The Board of Trustees will adopt a policy complying with Ohio Rev. Code Section 9.38 regarding timely deposit of Township funds.

FINDING NUMBER 2007-009

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Valley Township had the following fund appropriations which exceeded estimated resources for 2007 and 2006:

Fund	Appropriations	Estimated Resources	Variance
December 31, 2006:			
Motor Vehicle License Tax	\$38,520	\$33,592	(\$4,928)
Road & Bridge	\$130,591	\$122,658	(\$7,933)
Cemetery	\$58,046	\$51,844	(\$6,202)
December 31, 2007:			
Motor Vehicle License Tax	\$39,496	\$35,168	(\$4,328)
Road & Bridge	\$120,325	\$115,001	(\$5,324)
Cemetery	\$60,259	\$52,214	(\$8,045)
Special Levy Fire	\$264,432	\$192,212	(\$72,220)

We recommend the Township Trustees amend appropriations as necessary to ensure appropriations do not exceed estimated resources during the year.

Officials' Response: Appropriations will be monitored quarterly and at mid-December to ensure that they do not exceed the total Official Estimated Resources.

VALLEY TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2007-010

Material Weakness

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. As a result of the audit procedures performed, the following errors were noted in the financial statements for that required audit adjustment or reclassification:

- In 2007, General Fund intergovernmental receipts were improperly classified as taxes (\$6,884).
- In 2007, General Fund intergovernmental receipts were improperly classified as other financing sources (\$360).
- In 2007, General Fund licenses, permits, and fees receipts were improperly classified as other financing sources (\$17,926).
- In 2007, Gasoline Tax Fund intergovernmental receipts were improperly classified as Road and Bridge Fund taxes (\$2,644).
- In 2007, Special Levy Road Fund intergovernmental and tax receipts were improperly classified as Road and Bridge Fund intergovernmental and tax receipts (\$6,987).
- In 2007, Road and Bridge intergovernmental receipts were improperly classified as taxes (\$3,815).
- In 2007, Special Levy Road Fund intergovernmental receipts were improperly classified as taxes (\$11,056).
- In 2007, Special Levy Fire Fund tax receipts were improperly classified as Bond Retirement Fund tax receipts (\$24,703). Also, Special Levy Fire Fund intergovernmental receipts were improperly classified as taxes (\$13,477).
- In 2007, Special Levy Fire Fund principal and interest payments were improperly classified as Bond Retirement Fund principal payment (\$24,703).
- In 2007, Special Levy Rescue Fund intergovernmental receipts were improperly classified as taxes (\$5,498).
- In 2007, a Fire and Rescue, Ambulance and EMS Service Fund receipt was not posted to the system (\$327). A disbursement was improperly posted in an attempt to reconcile (\$189).
- In 2006, General Fund licenses, permits, and fees receipts were improperly classified as other financing sources (\$17,286).
- In 2006, a fund balance adjustment was improperly posted to the Motor Vehicle License Tax Fund (\$827).
- In 2006, a fund balance adjustment was improperly posted to the Fire and Rescue, Ambulance and EMS Service Fund (\$30).
- In 2006, Special Levy Fire Fund tax receipts were improperly classified as Bond Retirement Fund tax receipts (\$24,730). Also, Special Levy Fire Fund intergovernmental receipts were improperly posted to taxes (\$7,051).
- In 2006, Special Levy Fire Fund debt proceeds were improperly classified as miscellaneous revenue (\$67,500).

All of the above noted adjustments have been posted to the financial statements and to the Township's UAN accounting system.

VALLEY TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2007-010 (Continued)

Material Weakness (Continued)

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend that the Township Fiscal Officer review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Officials' Response: The Fiscal Officer will review revenue receipts to ensure that funds have been and will be deposited to the correct accounts for 2008 and each year thereafter.

**VALLEY TOWNSHIP
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(D)(1)-properly encumbering	No	Partially Corrected-Reissued in Management Letter



Mary Taylor, CPA
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
JANUARY 13, 2009**