



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Walton Hills
Cuyahoga County
7595 Walton Road
Walton Hills, Ohio 44146

To Members of 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

December 21, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Walton Hills
Cuyahoga County
7595 Walton Road
Walton Hills, Ohio 44146

To Members of the Village Council

We have audited the accompanying financial statements of the Village of Walton Hills, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2009 and 2008. 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. The Village 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 Village 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(A) mandates 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 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the year 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 Walton Hills, Cuyahoga County, Ohio, as of December 31, 2009 and 2008, 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 December 21, 2010, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 21, 2010

VILLAGE OF WALTON HILLS
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, 2009**

| | <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 Tax and Other Local Taxes | \$11,426 | \$53,482 | \$0 | \$0 | \$64,908 |
| Income Tax | 2,923,727 | 0 | 0 | 0 | 2,923,727 |
| Intergovernmental Receipts | 132,626 | 254,898 | 0 | 0 | 387,524 |
| Charges for Services | 65,789 | 250 | 0 | 8,709 | 74,748 |
| Fines, Licenses, and Permits | 243,613 | 7,331 | 0 | 0 | 250,944 |
| Earnings on Investments | 0 | 0 | 0 | 259,090 | 259,090 |
| Miscellaneous | 24,289 | 100 | 0 | 2,768 | 27,157 |
| Total Cash Receipts | <u>3,401,470</u> | <u>316,061</u> | <u>0</u> | <u>270,567</u> | <u>3,988,098</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 2,223,739 | 201,399 | 0 | 0 | 2,425,138 |
| Public Health Services | 10,044 | 0 | 0 | 0 | 10,044 |
| Leisure Time Activities | 252,581 | 0 | 0 | 0 | 252,581 |
| Community Environment | 158,156 | 0 | 0 | 0 | 158,156 |
| Basic Utility Services | 493,980 | 0 | 0 | 0 | 493,980 |
| Transportation | 158,682 | 618,717 | 0 | 0 | 777,399 |
| General Government | 990,713 | 3,796 | 0 | 0 | 994,509 |
| Debt Service: | | | | | |
| Principal Payments | 0 | 0 | 22,209 | 30,622 | 52,831 |
| Interest Payments | 0 | 0 | 4,352 | 5,188 | 9,540 |
| Capital Outlay | 0 | 96,172 | 0 | 838,461 | 934,633 |
| Total Cash Disbursements | <u>4,287,895</u> | <u>920,084</u> | <u>26,561</u> | <u>874,271</u> | <u>6,108,811</u> |
| Total Receipts Over/(Under) Disbursements | <u>(886,425)</u> | <u>(604,023)</u> | <u>(26,561)</u> | <u>(603,704)</u> | <u>(2,120,713)</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Sale of Bonds or Notes | 0 | 0 | 0 | 297,297 | 297,297 |
| Sale of Fixed Assets | 10,275 | 0 | 0 | 0 | 10,275 |
| Transfers-In | 0 | 710,000 | 0 | 0 | 710,000 |
| Transfers-Out | (710,000) | 0 | 0 | 0 | (710,000) |
| Total Other Financing Receipts/(Disbursements) | <u>(699,725)</u> | <u>710,000</u> | <u>0</u> | <u>297,297</u> | <u>307,572</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(1,586,150)</u> | <u>105,977</u> | <u>(26,561)</u> | <u>(306,407)</u> | <u>(1,813,141)</u> |
| Fund Cash Balances, January 1, 2009 | <u>4,523,534</u> | <u>168,382</u> | <u>60,099</u> | <u>2,934,526</u> | <u>7,686,541</u> |
| Fund Cash Balances, December 31, 2009 | <u>\$2,937,384</u> | <u>\$274,359</u> | <u>\$33,538</u> | <u>\$2,628,119</u> | <u>\$5,873,400</u> |
| Reserves for Encumbrances, December 31, 2009 | <u>\$212,886</u> | <u>\$63,370</u> | <u>\$0</u> | <u>\$85,651</u> | <u>\$361,907</u> |

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

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>Agency</u> |
|--|--------------------------------|
| Non-Operating Cash Receipts: | |
| Other Non-Operating Cash Receipts | <u>\$295,329</u> |
| Non-Operating Cash Disbursements: | |
| Other Non-Operating Cash Disbursements | <u>286,287</u> |
| Net Receipts Over Disbursements | 9,042 |
| Fund Cash Balances, January 1, 2009 | <u>147,186</u> |
| Fund Cash Balances, December 31, 2009 | <u><u>\$156,228</u></u> |

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

VILLAGE OF WALTON HILLS
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, 2008**

| | <u>Governmental Fund Types</u> | | | | <u>Totals (Memorandum Only)</u> |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | | |
| Property Tax and Other Local Taxes | \$14,604 | \$49,496 | \$0 | \$0 | \$64,100 |
| Income Tax | 3,895,744 | 0 | 0 | 0 | 3,895,744 |
| Intergovernmental Receipts | 282,882 | 269,298 | 0 | 168,729 | 720,909 |
| Charges for Services | 58,059 | 250 | 0 | 14,515 | 72,824 |
| Fines, Licenses, and Permits | 231,726 | 18,985 | 0 | 0 | 250,711 |
| Earnings on Investments | 0 | 0 | 0 | 396,814 | 396,814 |
| Miscellaneous | 27,133 | 531 | 0 | 2,393 | 30,057 |
| Total Cash Receipts | <u>4,510,148</u> | <u>338,560</u> | <u>0</u> | <u>582,451</u> | <u>5,431,159</u> |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 2,472,871 | 198,796 | 0 | 0 | 2,671,667 |
| Public Health Services | 10,089 | 0 | 0 | 0 | 10,089 |
| Leisure Time Activities | 346,819 | 0 | 0 | 0 | 346,819 |
| Community Environment | 163,360 | 0 | 0 | 0 | 163,360 |
| Basic Utility Services | 583,425 | 520 | 0 | 0 | 583,945 |
| Transportation | 202,344 | 943,775 | 0 | 0 | 1,146,119 |
| General Government | 866,677 | 3,543 | 0 | 0 | 870,220 |
| Debt Service: | | | | | |
| Principal Payments | 0 | 0 | 18,313 | 30,474 | 48,787 |
| Interest Payments | 0 | 0 | 4,632 | 5,336 | 9,968 |
| Capital Outlay | 0 | 224,312 | 0 | 1,272,452 | 1,496,764 |
| Total Cash Disbursements | <u>4,645,585</u> | <u>1,370,946</u> | <u>22,945</u> | <u>1,308,262</u> | <u>7,347,738</u> |
| Total Receipts Over/(Under) Disbursements | <u>(135,437)</u> | <u>(1,032,386)</u> | <u>(22,945)</u> | <u>(725,811)</u> | <u>(1,916,579)</u> |
| Other Financing Receipts and (Disbursements): | | | | | |
| Debt Proceeds | 0 | 0 | 0 | 72,312 | 72,312 |
| Sale of Fixed Assets | 30,701 | 0 | 0 | 0 | 30,701 |
| Transfers-In | 0 | 537,000 | 0 | 0 | 537,000 |
| Transfers-Out | (537,000) | 0 | 0 | 0 | (537,000) |
| Total Other Financing Receipts/(Disbursements) | <u>(506,299)</u> | <u>537,000</u> | <u>0</u> | <u>72,312</u> | <u>103,013</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(641,736)</u> | <u>(495,386)</u> | <u>(22,945)</u> | <u>(653,499)</u> | <u>(1,813,566)</u> |
| Fund Cash Balances, January 1, 2008 | <u>5,165,270</u> | <u>663,768</u> | <u>83,044</u> | <u>3,588,025</u> | <u>9,500,107</u> |
| Fund Cash Balances, December 31, 2008 | <u>\$4,523,534</u> | <u>\$168,382</u> | <u>\$60,099</u> | <u>\$2,934,526</u> | <u>\$7,686,541</u> |
| Reserves for Encumbrances, December 31, 2008 | <u>\$123,301</u> | <u>\$64,958</u> | <u>\$0</u> | <u>\$386,581</u> | <u>\$574,840</u> |

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

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

| | <u>Agency</u> |
|--|--------------------------------|
| Operating Cash Receipts: | |
| Charges for Services | <u>\$281,732</u> |
| Operating Cash Disbursements: | |
| Contractual Services | <u>282,658</u> |
| Net Receipts (Under) Disbursements | (926) |
| Fund Cash Balances, January 1, 2008 | <u>148,112</u> |
| Fund Cash Balances, December 31, 2008 | <u><u>\$147,186</u></u> |

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

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Walton Hills, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides police protection, recreation services, rubbish collection, zoning, road maintenance, and animal control. The Village contracts with Village of Oakwood for fire protection services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not report 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 is recorded at share values the mutual fund reports.

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 Fund

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

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

Police Pension Fund – This fund is used to account for property taxes collected to pay the Village’s share of police pension benefits.

3. Debt Service Fund

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

Special Bond Retirement Fund – This fund received taxes and transfers in to retire all debt.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Issue II Capital Projects- This fund is used to account for Issue II capital projects monies.

Capital Improvement Fund- This fund is used to account for all capital projects except Issue II projects.

5. 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 Funds account for activities of the Mayor’s Court and contractor’s performance bonds.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. The Village does not budget for activity in the Mayor’s Court.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department, personal services and other, and appropriations may not exceed estimated resources. 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.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2009 and 2008 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 DEPOSITS AND INVESTMENTS

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

| | 2009 | 2008 |
|--------------------------------|-------------|-------------|
| Demand deposits | \$5,547,680 | \$7,353,107 |
| Total deposits | 5,547,680 | 7,353,107 |
| Investments | | |
| STAR Ohio | 481,948 | 480,620 |
| Total investments | 481,948 | 480,620 |
| Total deposits and investments | \$6,029,628 | \$7,833,727 |

Deposits: Deposits are either 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.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

| 2009 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|---------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$4,767,880 | \$3,411,745 | (\$1,356,135) |
| Special Revenue | 1,059,444 | 1,026,061 | (33,383) |
| Debt Service | 0 | 0 | 0 |
| Capital Projects | 466,555 | 567,864 | 101,309 |
| Agency | 40,000 | 37,586 | (2,414) |
| Total | \$6,333,879 | \$5,043,256 | (\$1,290,623) |

| 2009 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$5,296,872 | \$5,210,781 | \$86,091 |
| Special Revenue | 1,033,804 | 983,454 | 50,350 |
| Debt Service | 27,127 | 26,561 | 566 |
| Capital Projects | 1,231,967 | 959,922 | 272,045 |
| Agency | 40,000 | 36,086 | 3,914 |
| Total | \$7,629,770 | \$7,216,804 | \$412,966 |

| 2008 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$4,441,480 | \$4,540,849 | \$99,369 |
| Special Revenue | 988,878 | 875,560 | (113,318) |
| Debt Service | 0 | 0 | 0 |
| Capital Projects | 13,850 | 654,763 | 640,913 |
| Agency | 30,000 | 30,836 | 836 |
| Total | \$5,474,208 | \$6,102,008 | \$627,800 |

| 2008 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$5,677,503 | \$5,305,886 | \$371,617 |
| Special Revenue | 1,519,134 | 1,435,904 | 83,230 |
| Debt Service | 22,950 | 22,945 | 5 |
| Capital Projects | 1,785,558 | 1,694,843 | 90,715 |
| Agency | 67,000 | 33,336 | 33,664 |
| Total | \$9,072,145 | \$8,492,914 | \$579,231 |

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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. Property owners assess tangible personal property tax. 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of two (2) percent on all income earned within the Village as well as certain income of residents earned outside the Village. In the latter case, the Village allows a 100 percent credit on the income earned outside the Village and paid to another municipality. Employers within the Village withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|------------------|----------------------|
| OPWC - Dunham Road Water Main Rehabilitation | \$209,016 | 2%. |
| OPWC - Dunham Road Improvement | 129,523 | 0%. |
| OPWC - Walton Road Improvement | 68,698 | 0%. |
| OPWC - Alexander/Dunham Intersection Improvement | 66,555 | 2%. |
| General Obligation Notes | <u>230,000</u> | 3.25% |
| Total | <u>\$703,792</u> | |

As of December 31, 2009, The Village has four loans outstanding with the Ohio Public Works Commission (OPWC). The Village repays the loans in semiannual installments over 20 years. The loans are collateralized by the Village's taxing authority:

In 2005, an OPWC loan for \$258,567 was awarded for the Dunham Road water main rehabilitation project. In 2008, an OPWC loans for \$143,914 and \$72,312 were awarded for the Dunham Road improvement and Walton Road improvements projects. In 2009, an OPWC loan for \$66,555 was awarded for the Alexander/Dunham Intersection Improvement project.

On May 14, 2009, the Village issued \$230,000 in general obligation notes relating to the Alexander/Dunham Intersection Improvement. The notes are due on May 12, 2010 with an annual interest rate of 3.25%.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT (Continued)

The Village is obligated to record certain leases as capital leases. The capital assets acquired in 2007 under the capital lease category amounted to \$160,494 which included a dump truck, bus, and copier. The following is a schedule by years of the future minimum lease payments for capital leases collectively, with the present value of the net minimum lease payments as of December 31, 2009:

| | |
|---|------------------|
| Minimum lease payments | \$107,432 |
| Less: amount representing interest | <u>(\$8,035)</u> |
| Present value of net minimum lease payments | <u>\$ 99,397</u> |

Amortization of the above debt, including interest, follows:

| Year ending December 31, | OPWC Loans | Capital Lease | Total |
|-----------------------------|-------------------|-------------------|-------------------|
| 2010 | \$ 29,823 | \$ 35,811 | \$ 65,634 |
| 2011 | 30,615 | 35,811 | 66,426 |
| 2012 | 30,615 | 35,810 | 66,425 |
| 2013 | 30,615 | | 30,615 |
| 2014 | 30,615 | | 30,615 |
| 2015-2019 | 153,075 | | 153,075 |
| 2020-2024 | 153,075 | | 153,075 |
| 2025-2029 | 64,196 | | 64,196 |
| 2030 | 2,027 | | 2,027 |
| Total | <u>\$ 524,656</u> | <u>\$ 107,432</u> | <u>\$ 632,088</u> |

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10 percent for the years 2008 and 2009. The Village contributed an amount equal to 14 percent for the years 2008 and 2009. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

9. CONTINGENT LIABILITIES

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

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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 Walton Hills
Cuyahoga County
7595 Walton Road
Walton Hills, Ohio 44146

To Members of the Village Council

We have audited the financial statements of the Village of Walton Hills, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2009 and December 31, 2008, and have issued our report thereon dated December 21, 2010, 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 also noted the Village 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 Village 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(A) mandates 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 Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-01 and 2009-02 described in the accompanying schedule of findings to be material weaknesses.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 21, 2010.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 21, 2010

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-01

Material Weakness - Reporting Mayor's Court Activity in an Agency Fund in the Village's Financial Statements

The Village operates a Mayor's Court and all activity related to Court operations are recorded by Court personnel in ledgers that are separate from the Village's general ledger. This activity: receipts, disbursements and fund balance are not accurately reported in the Village's general ledger and financial statements. Most of the Court activity reported in the Village's general ledger is the General Fund's distribution of fines collected each month and some receipts.

In 2008, the only Court activity reported in the Agency Fund were receipts totaling \$16,441. This amount should have been recorded as a fund balance adjustment as stipulated in the 2007-2006 audit report but the accounting system did not allow the Village to make a fund balance adjustment at the time. Based on a review of Court records, the beginning balance was understated by \$16,441, receipts were understated by \$234,455, disbursements were understated by \$249,322 and the ending fund balance was understated by \$1,574 in the Village's Agency Fund.

In 2009, the only Court activity reported were cash receipts totaling \$6,249. Based on a review of Court records, the beginning balance was understated by \$1,574, receipts were understated by \$278,080, disbursements were understated by \$276,787 and ending fund balance was understated by \$2,868 in the Village's Agency Fund.

The Village's accounting records and the accompanying financial statements have been adjusted to include all Court activity in the Agency Fund.

We recommend that all receipts, disbursements and fund balances from Mayor's Court activity be reported in an Agency Fund in the Village's accounting records and financial statements.

Village's Response

We agree with the recommendation and will correct it in the future.

FINDING NUMBER 2009-02

Material Weakness - Reporting Various Deposits in an Agency Fund in the Village's Financial Statements

The Village receives various monies from contractor's bond retainer fees, rental deposits and senior lawn care service deposits. Since the Village is the custodian of these monies they are required to be reported in an Agency Fund. However, the Village reported the activity in the Bond Construction Fund – Capital Projects Fund Type in 2008 and corrected it in 2009. Based on a review of the activity for 2008, the beginning balance of \$131,622, receipts totaling \$30,836, disbursements totaling \$33,336 and the ending fund balance of \$129,122 has been reclassified from the Bond Construction Fund to the Agency Fund.

The Village's accounting records and the accompanying financial statements have been adjusted to reflect these changes.

We recommend that activity from the contractor's bond retainer fees, rental deposits and senior lawn care service deposits be recorded in an Agency Fund in the Village's accounting records and financial statements.

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-002 (Continued)

Village's Response

This matter was corrected in 2009.

**VILLAGE OF WALTON HILLS
 CUYAHOGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2009 AND DECEMBER 31, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2007-001 | The Village did not report all Court activity in an Agency Fund in the Village's accounting records and financial statements. | No | Repeated as finding 2009-01. |
| 2007-002 | The Village receives various monies from contractor's bond retainer fees, rental deposits and senior lawn care service deposits. These activities were recorded in the Village's Bond Construction Fund instead of an Agency Fund. | No | Repeated as finding 2009-02. |



Mary Taylor, CPA
Auditor of State

VILLAGE OF WALTON HILLS

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
JANUARY 11, 2011**