



Dave Yost • Auditor of State

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

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Dave Yost • 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.

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Dave Yost
Auditor of State

January 17, 2013

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Dave Yost • 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, 2011 and 2010. 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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

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

As described in Note 1, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

January 17, 2013

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$9,627	\$51,408			\$61,035
Municipal Income Tax	3,377,503				3,377,503
Intergovernmental	152,993	237,521		\$142,875	533,389
Charges for Services	452,427			28,051	480,478
Fines, Licenses and Permits	224,037	6,023			230,060
Earnings on Investments	151	3		1,002	1,156
Miscellaneous	11,089	2,989		37,576	51,654
Total Cash Receipts	4,227,827	297,944		209,504	4,735,275
Cash Disbursements:					
Current:					
Security of Persons and Property	2,332,834	177,052			2,509,886
Public Health Services	9,240				9,240
Leisure Time Activities	177,206				177,206
Community Environment	83,069				83,069
Basic Utility Service	358,306	7,748			366,054
Transportation	149,027	623,080			772,107
General Government	657,572	2,597			660,169
Capital Outlay		4,000		645,871	649,871
Debt Service:					
Redemption of Principal			\$235,463	35,811	271,274
Interest and Fiscal Charges			10,320		10,320
Total Cash Disbursements	3,767,254	814,477	245,783	681,682	5,509,196
Total Receipts Over/(Under) Disbursements	460,573	(516,533)	(245,783)	(472,178)	(773,921)
Other Financing Receipts / (Disbursements):					
Debt Proceeds			200,000		200,000
Sale of Fixed Assets	2,292				2,292
Transfers-In		515,000	60,000		575,000
Transfers-Out	(515,000)			(60,000)	(575,000)
Total Other Financing Receipts / (Disbursements)	(512,708)	515,000	260,000	(60,000)	202,292
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(52,135)	(1,533)	14,217	(532,178)	(571,629)
Fund Cash Balances, January 1, 2011	2,214,329	139,124	3,545	2,498,443	4,855,441
Fund Cash Balances, December 31					
Committed	167,789	137,592		216,215	521,596
Unassigned (Deficit)	1,994,405		17,761	1,750,049	3,762,215
Fund Cash Balances, December 31	\$2,162,194	\$137,592	\$17,761	\$1,966,264	\$4,283,811

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

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES (CASH BASIS) - AGENCY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Agency</u>
Operating Cash Receipts:	
Fines, Licenses and Permits	\$259,051
Miscellaneous	38,459
	<hr/>
Total Operating Cash Receipts	297,510
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Operating Cash Disbursements:	
Other	289,229
	<hr/>
Total Operating Cash Disbursements	289,229
	<hr/>
Operating Loss	8,281
	<hr/>
Fund Cash Balances, January 1	145,626
	<hr/>
Fund Cash Balances, December 31	<u><u>\$153,907</u></u>

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$10,378	\$51,674			\$62,052
Municipal Income Tax	3,149,546				3,149,546
Intergovernmental	129,992	247,547		\$25,000	402,539
Charges for Services	59,636			16,498	76,134
Fines, Licenses and Permits	230,710	5,911			236,621
Earnings on Investments				81,254	81,254
Miscellaneous	13,485	2,374		1,475	17,334
Total Cash Receipts	3,593,747	307,506		124,227	4,025,480
Cash Disbursements:					
Current:					
Security of Persons and Property	2,046,454	180,957			2,227,411
Public Health Services	9,214				9,214
Leisure Time Activities	196,687				196,687
Community Environment	170,108				170,108
Basic Utility Service	541,639	7,748			549,387
Transportation	151,461	656,108			807,569
General Government	801,404	2,928			804,332
Capital Outlay				206,167	206,167
Debt Service:					
Redemption of Principal			\$ 254,479	35,811	290,290
Interest and Fiscal Charges			12,948		12,948
Total Cash Disbursements	3,916,967	847,741	267,427	241,978	5,274,113
Total Receipts Over/(Under) Disbursements	(323,220)	(540,235)	(267,427)	(117,751)	(1,248,633)
Other Financing Receipts / (Disbursements):					
Debt Proceeds			210,000		210,000
Sale of Fixed Assets	4,045				4,045
Transfers-In		405,000	27,434		432,434
Transfers-Out	(405,000)			(27,434)	(432,434)
Other Financing Sources	1,120			15,509	16,629
Total Other Financing Receipts / (Disbursements)	(399,835)	405,000	237,434	(11,925)	230,674
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(723,055)	(135,235)	(29,993)	(129,676)	(1,017,959)
Fund Cash Balances, January 1	2,937,384	274,359	33,538	2,628,119	5,873,400
Fund Cash Balances, December 31	\$2,214,329	\$139,124	\$3,545	\$2,498,443	\$4,855,441
Reserve for Encumbrances, December 31	\$153,808	\$3,056	\$0	\$30,722	\$187,586

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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Agency</u>
Operating Cash Receipts:	
Fines, Licenses and Permits	\$265,599
Miscellaneous	46,576
	<hr/>
Total Operating Cash Receipts	312,175
	<hr/>
Operating Cash Disbursements:	
Other	322,777
	<hr/>
Total Operating Cash Disbursements	322,777
	<hr/>
Operating Loss	(10,602)
	<hr/>
Fund Cash Balances, January 1	156,228
	<hr/>
Fund Cash Balances, December 31	<u><u>\$145,626</u></u>

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Walton Hills, Cuyahoga County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides police protection, recreation and senior services, rubbish collection, zoning, road maintenance, and animal control. The Village contracts with neighboring communities for fire protection services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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 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 Village had the following significant Special Revenue Funds:

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

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

D. **Fund Accounting (continued)**

2. **Special Revenue Funds (continued)**

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 Funds**

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 is used to account for the retirement of notes and loans.

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 Fund:

Capital Improvement Fund – This fund is used to account for all capital projects.

5. **Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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 in 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. During 2011, the Village did not appropriate for the Agency Funds. The Village does not budget for the activities in the Mayor's Court and contractor's performance bonds deposits and refunds.

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. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated

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

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

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

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (continued)

G. Fund Balance (continued)

5. Unassigned

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

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

H. 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.

I. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	\$3,954,977	\$4,518,577
Total deposits	3,954,977	4,518,577
Investments:		
STAR Ohio	482,741	482,490
Total investments	482,741	482,490
Total deposits and investments	\$4,437,718	\$5,001,067

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and December 31, 2010 are as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,405,427	\$4,230,119	\$824,692
Special Revenue	814,896	812,944	(1,952)
Debt Service	250,000	260,000	10,000
Capital Projects	55,734	209,504	153,770
Agency	44,400	297,510	253,110
Total	<u>\$4,570,457</u>	<u>\$5,810,077</u>	<u>\$1,239,620</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,474,327	\$4,450,044	\$24,283
Special Revenue	829,399	817,026	12,373
Debt Service	246,129	245,783	346
Capital Projects	1,365,583	957,897	407,686
Total	<u>\$6,915,438</u>	<u>\$6,470,750</u>	<u>\$444,688</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,632,161	\$3,598,912	(\$33,249)
Special Revenue	805,252	712,506	(92,746)
Debt Service	237,434	237,434	0
Capital Projects	183,019	139,736	(43,283)
Agency	44,400	312,175	267,775
Total	<u>\$4,902,266</u>	<u>\$5,000,763</u>	<u>\$98,497</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,638,863	\$4,475,775	\$163,088
Special Revenue	882,118	850,797	31,321
Debt Service	268,048	267,427	621
Capital Projects	351,296	300,134	51,162
Agency	324,126	322,777	1,349
Total	<u>\$6,464,451</u>	<u>\$6,216,910</u>	<u>\$247,541</u>

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. Local Income Tax

The Village levies a municipal income tax of two (2) percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. In the latter case, the Village allows a 100 percent credit on the income earned outside the Village and paid to another community.

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

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Dunham Road Water Main Rehab	\$185,528	2.00%
OPWC Dunham Road Improvement	115,131	0.00%
OPWC Walton Road Improvement	61,465	0.00%
OPWC Alexander/Dunham Improvement	61,027	2.00%
General Obligation Notes	200,000	3.25%
Total	<u>\$623,151</u>	

As of December 31, 2011, 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, OPWC loans for \$143,914 and \$72,312 were awarded for the Dunham Road improvement and Walton Road improvement project, respectively. In 2009, an OPWC loan for \$66,555 was awarded for the Alexander and Dunham Road intersection improvement project.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. Debt (continued)

On May 14, 2009, the Village issued \$230,000 in general obligation notes relating to the Alexander and Dunham Road intersection improvement project. The notes were reissued in 2010 for \$210,000 and \$200,000 in 2011.

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, 2011:

Minimum lease payments	\$34,945
Less: Amount representing interest	<u>(508)</u>
Present value of net minimum lease payments	<u>\$34,437</u>

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

Year ending December 31:	OPWC Loans	Capital Lease	General Obligation	Total
2012	\$30,615	\$35,811	\$200,000	\$266,426
2013	30,615			30,615
2014	30,615			30,615
2015	30,615			30,615
2016	30,615			30,615
2017-2021	153,075			153,075
2022-2026	129,450			129,450
2027-2030	28,616			28,616
Total	<u>\$464,216</u>	<u>\$35,811</u>	<u>\$200,000</u>	<u>\$700,027</u>

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10 percent of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10 percent, of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(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, vision 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, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.



Dave Yost • 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, 2011 and December 31, 2010, and have issued our report thereon dated January 17, 2013, 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 and implemented GASB 54 during 2011. 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*.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2011-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated January 17, 2013.

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, the audit committee, Village Council and others within the Village. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

January 17, 2013

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Significant Deficiency - 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 should be 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.

For 2011 and 2010, there was only one receipt and one disbursement posted to the Agency Fund for Mayor's Court activity for each year. The receipts and disbursements posted for 2011 were \$259,227 and \$250,946 and for 2010 \$267,599 and \$276,627, respectfully. This weakness may result in Court monies being unaccounted for and errors or irregularities not be detected in a timely manner.

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 in a timely manner.

Village's Response

The Village recorded the actual cash revenues and cash expenditures on an annual basis in the UAN accounting system. Beginning in 2013, the Village will record actual cash revenues and cash expenditures on a monthly basis in the UAN accounting system.

FINDING NUMBER 2011-02

Material Noncompliance Finding – Proper Certification

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2011-02 (CONTINUED)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During a test of 19 and 24 transactions for 2010 and 2011, we noted five instances in 2010 (26%) and five instances in 2011 (21%) in which the transaction was not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which section 5705.41(D) applies. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Village’s Response

For the two year 2010/2011 audit, the Village had very minimal issues regarding appropriation and sufficient cash balances. Due to a transition with the Accounts Payable Division, many instances of where “Then and Now” certificates could have been issued were not based on our inexperience with the UAN system. We are currently utilizing the “Then and Now” certificates when applicable. Also we will have a more stressed effort with certain departments on establishing purchase orders prior to contractually obligating the Village. As you can see, there were zero budgetary issues and sufficient cash balances to support the “Then and Now” certificates during 2010 and 2012.

**VILLAGE OF WALTON HILLS
 CUYAHOGA COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2011 AND DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-01	The Village did not report all Mayor's Court activity in an Agency Fund in the Village's accounting records and financial statements.	No	Partially corrected, see finding 2011-01.
2009-02	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.	Yes	

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Dave Yost • 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 29, 2013