



Dave Yost • Auditor of State

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2013	3
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) Agency Fund Type For the Year Ended December 31, 2013	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2012	5
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) Agency Fund Type For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Walton Hills, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Walton Hills, Cuyahoga County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 7, 2014

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$8,424	\$33,904			\$42,328
Municipal Income Tax	3,707,031				3,707,031
Intergovernmental	84,528	244,156		\$905,469	1,234,153
Special Assessments	1,715				1,715
Charges for Services	161,845			16,639	178,484
Fines, Licenses and Permits	263,098	7,919		12,539	283,556
Earnings on Investments				7,127	7,127
Miscellaneous	35,509	5,670		2,309	43,488
<i>Total Cash Receipts</i>	<u>4,262,150</u>	<u>291,649</u>		<u>944,083</u>	<u>5,497,882</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,285,691	189,128			2,474,819
Public Health Services	10,005				10,005
Leisure Time Activities	180,881				180,881
Community Environment	89,312				89,312
Basic Utility Services	261,628	8,467			270,095
Transportation	161,214	590,002			751,216
General Government	757,559	1,872			759,431
Capital Outlay				611,830	611,830
Debt Service:					
Principal Retirement			\$226,059		226,059
Interest and Fiscal Charges			10,353		10,353
<i>Total Cash Disbursements</i>	<u>3,746,290</u>	<u>789,469</u>	<u>236,412</u>	<u>611,830</u>	<u>5,384,001</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>515,860</u>	<u>(497,820)</u>	<u>(236,412)</u>	<u>332,253</u>	<u>113,881</u>
Other Financing Receipts (Disbursements)					
Debt Proceeds			175,000	425,703	600,703
Sale of Capital Assets				1,725	1,725
Transfers In		528,300	20,000		548,300
Transfers Out	(528,300)			(20,000)	(548,300)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(528,300)</u>	<u>528,300</u>	<u>195,000</u>	<u>407,428</u>	<u>602,428</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</i>	(12,440)	30,480	(41,412)	739,681	716,309
<i>Fund Cash Balances, January 1, 2013</i>	<u>1,991,390</u>	<u>161,389</u>	<u>42,156</u>	<u>590,990</u>	<u>2,785,925</u>
Fund Cash Balances, December 31, 2013					
Restricted		191,871	744		192,615
Committed				1,330,671	1,330,671
Assigned	92,121				92,121
Unassigned	1,886,829				1,886,829
Fund Cash Balances, December 31, 2013	<u>\$1,978,950</u>	<u>\$191,871</u>	<u>\$744</u>	<u>\$1,330,671</u>	<u>\$3,502,236</u>

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, 2013

	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	\$276,936
Miscellaneous	<u>29,961</u>
<i>Total Operating Cash Receipts</i>	<u>306,897</u>
Operating Cash Disbursements	
Other	<u>312,498</u>
<i>Operating Loss</i>	<u>(5,601)</u>
<i>Fund Cash Balances, January 1, 2013</i>	<u>170,228</u>
<i>Fund Cash Balances, December 31, 2013</i>	<u><u>\$164,627</u></u>

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

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

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

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property and Other Local Taxes	\$7,940	\$35,863			\$43,803
Municipal Income Tax	3,390,673				3,390,673
Intergovernmental	291,884	237,372		\$1,639,415	2,168,671
Special Assessments	2,331				2,331
Charges for Services	85,209			37,919	123,128
Fines, Licenses and Permits	241,693	7,365		10,147	259,205
Earnings on Investments				831	831
Miscellaneous	21,102			2,025	23,127
<i>Total Cash Receipts</i>	<u>4,040,832</u>	<u>280,600</u>		<u>1,690,337</u>	<u>6,011,769</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,171,385	165,197			2,336,582
Public Health Services	10,043				10,043
Leisure Time Activities	186,858				186,858
Community Environment	59,647				59,647
Basic Utility Services	337,524	7,748			345,272
Transportation	162,186	572,142			734,328
General Government	788,993	7,409			796,402
Capital Outlay		2,634		2,970,666	2,973,300
Debt Service:					
Principal Retirement			\$225,758	34,437	260,195
Interest and Fiscal Charges			9,857	508	10,365
<i>Total Cash Disbursements</i>	<u>3,716,636</u>	<u>755,130</u>	<u>235,615</u>	<u>3,005,611</u>	<u>7,712,992</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>324,196</u>	<u>(474,530)</u>	<u>(235,615)</u>	<u>(1,315,274)</u>	<u>(1,701,223)</u>
Other Financing Receipts (Disbursements)					
Debt Proceeds			200,010		200,010
Sale of Capital Assets		3,327			3,327
Transfers In		495,000	60,000		555,000
Transfers Out	(495,000)			(60,000)	(555,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(495,000)</u>	<u>498,327</u>	<u>260,010</u>	<u>(60,000)</u>	<u>203,337</u>
<i>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</i>	<u>(170,804)</u>	<u>23,797</u>	<u>24,395</u>	<u>(1,375,274)</u>	<u>(1,497,886)</u>
<i>Fund Cash Balances, January 1, 2012</i>	<u>2,162,194</u>	<u>137,592</u>	<u>17,761</u>	<u>1,966,264</u>	<u>4,283,811</u>
Fund Cash Balances, December 31, 2012					
Restricted		161,389	42,156		203,545
Committed				590,990	590,990
Assigned	69,915				69,915
Unassigned	1,921,475				1,921,475
<i>Fund Cash Balances, December 31, 2012</i>	<u><u>\$1,991,390</u></u>	<u><u>\$161,389</u></u>	<u><u>\$42,156</u></u>	<u><u>\$590,990</u></u>	<u><u>\$2,785,925</u></u>

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, 2012

	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	\$317,516
Miscellaneous	44,101
	<u>361,617</u>
<i>Total Operating Cash Receipts</i>	<u>361,617</u>
Operating Cash Disbursements	
Other	345,296
	<u>16,321</u>
<i>Operating Income</i>	<u>16,321</u>
<i>Fund Cash Balances, January 1, 2012</i>	<u>153,907</u>
<i>Fund Cash Balances, December 31, 2012</i>	<u><u>\$170,228</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, 2013 AND 2012**

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, Ohio, (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, refuse collection, zoning, road maintenance, and animal control. The Village contracts with neighboring communities for fire protection and emergency medical 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 State Treasurer 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village has 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.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 re-appropriated

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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:

	2013	2012
Demand deposits	\$2,758,525	\$2,273,044
STAR Ohio	483,338	483,109
Municipal notes	425,000	200,000
Total investments	908,338	683,109
Total deposits and investments	\$3,666,863	\$2,956,153

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

On May 1, 2012, the Village purchased its own \$200,000 note due on December 1, 2013. On December 1, 2013, the Village purchased its own \$425,000 note due on December 1, 2015

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2013 and December 31, 2012 are as follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,999,364	\$4,262,150	\$262,786
Special Revenue	805,720	819,949	14,229
Debt Service	195,000	195,000	0
Capital Projects	1,371,390	1,371,511	121
Total	\$6,371,474	\$6,648,610	\$277,136

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,396,851	\$4,366,711	\$30,140
Special Revenue	837,007	831,219	5,788
Debt Service	236,413	236,412	1
Capital Projects	1,047,832	882,765	165,067
Total	\$6,518,103	\$6,317,107	\$200,996

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,040,622	\$4,040,832	\$210
Special Revenue	773,257	778,927	5,670
Debt Service	260,010	260,010	0
Capital Projects	1,734,438	1,690,337	(44,101)
Total	\$6,808,327	\$6,770,106	(\$38,221)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,330,546	\$4,281,551	\$48,995
Special Revenue	786,350	782,399	3,951
Debt Service	235,615	235,615	0
Capital Projects	3,469,265	3,419,942	49,323
Total	\$8,821,776	\$8,719,507	\$102,269

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.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Local Income Tax

The Village levies a municipal income tax of 2.5% 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. The Village's tax rate prior to July 1, 2013 was established at 2.0%.

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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Dunham Road Water Main Rehab	\$161,086	2.00%
OPWC Dunham Road Improvement	\$100,740	0.00%
OPWC Walton Road Improvement	54,234	0.00%
OPWC Alexander/Dunham Improvement	55,275	2.00%
OPWC Egbert Road Improvement	175,703	0.00%
General Obligation Notes	425,000	1.50%
Total	<u>\$972,038</u>	

As of December 31, 2013, the Village has five loans outstanding with the Ohio Public Works Commission (OPWC). The Village repays the loans in semiannual installments over 20 and 30 years. The loans are collateralized by the Village's taxing authority.

In 2005, a 20 year OPWC loan for \$258,567 was awarded for the Dunham Road water main rehabilitation project. In 2008, a 20 year OPWC loans for \$143,914 and \$72,312 were awarded for the Dunham Road improvement and Walton Road improvement project, respectively. In 2009, a 20 year OPWC loan for \$66,555 was awarded for the Alexander and Dunham Road intersection improvement project. In 2013, a 30 year OPWC loan for \$175,703 was awarded for the Egbert Road rehabilitation and water main replacement project.

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 2012 for \$200,000 and \$175,000 in 2013. On December 1, 2013, the Village issued \$250,000 in general obligation notes for the purchase of vehicles for both the Police and Service Departments.

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 Village's final principal payment of \$34,347 was made in 2012.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OPWC Loans	General Obligation Notes	Total
2014	\$36,472		\$36,472
2015	36,472	\$439,875	476,347
2016	36,472		36,472
2017	36,472		36,472
2018	36,472		36,472
2019-2023	182,358		182,358
2024-2028	120,038		120,038
2029-2033	33,337		33,337
2034-2038	29,284		29,284
2039-2043	29,284		29,284
Total	<u>\$576,661</u>	<u>\$439,875</u>	<u>\$1,016,536</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 2012 and prior to July 1, 2013, OP&F participants contributed 10 percent of their wages. After July 1, 2013, OP&F participants contributed 10.75 percent of their wages for the period from July 1, 2013 to December 31, 2013. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. For 2013 and 2012, 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, 2013.

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.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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.

This page intentionally left blank.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Walton Hills, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated May 7, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

May 7, 2014

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Significant Deficiency- Mayor's Court Activity: 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.	Yes	Finding No Longer Valid
2011-02	Noncompliance Finding - Ohio Rev. Code § 5705.41(D): 26% in 2010 and 21% in 2011 of tested expenditures were not properly certified.	Yes	Finding No Longer Valid

This page intentionally left blank.



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
JUNE 24, 2014**