



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2017	3
Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) Fiduciary Fund Type For the Year Ended December 31, 2017	4
Notes to the Financial Statements For the Year Ended December 31, 2017	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2016	15
Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) Fiduciary Fund Type For the Year Ended December 31, 2016	16
Notes to the Financial Statements For the Year Ended December 31, 2016	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Schedule of Findings.....	29
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	31

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Walton Hills, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 such 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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Walton Hills, Cuyahoga County, Ohio as of December 31, 2017 and 2016, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

October 22, 2020

Village of Walton Hills
Cuyahoga County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$9,755	\$41,553			\$51,308
Municipal Income Tax	3,989,869				3,989,869
Intergovernmental	67,796	211,010		\$16,688	295,494
Special Assessments	1,730				1,730
Charges for Services	211,527	150		15,551	227,228
Fines, Licenses and Permits	275,182	7,399		21,094	303,675
Earnings on Investments	4,721				4,721
Miscellaneous	47,320	1,177		964	49,461
<i>Total Cash Receipts</i>	<u>4,607,900</u>	<u>261,289</u>		<u>54,297</u>	<u>4,923,486</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,578,047	178,617			2,756,664
Public Health Services	9,398				9,398
Leisure Time Activities	223,767				223,767
Community Environment	75,975				75,975
Basic Utility Services	293,088				293,088
Transportation	262,373	756,312			1,018,685
General Government	1,024,091	2,246			1,026,337
Capital Outlay		10,372		590,343	600,715
Debt Service:					
Principal Retirement			\$1,738,594		1,738,594
Interest and Fiscal Charges			43,041		43,041
<i>Total Cash Disbursements</i>	<u>4,466,739</u>	<u>947,547</u>	<u>1,781,635</u>	<u>590,343</u>	<u>7,786,264</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>141,161</u>	<u>(686,258)</u>	<u>(1,781,635)</u>	<u>(536,046)</u>	<u>(2,862,778)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes			1,710,000		1,710,000
Premium and Accrued Interest on Debt			12,654		12,654
Sale of Capital Assets		18,193		4,000	22,193
Transfers In		629,000	50,000	460,000	1,139,000
Transfers Out	(1,089,000)			(50,000)	(1,139,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,089,000)</u>	<u>647,193</u>	<u>1,772,654</u>	<u>414,000</u>	<u>1,744,847</u>
<i>Net Change in Fund Cash Balances</i>	<u>(947,839)</u>	<u>(39,065)</u>	<u>(8,981)</u>	<u>(122,046)</u>	<u>(1,117,931)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,224,405</u>	<u>360,679</u>	<u>15,556</u>	<u>173,126</u>	<u>1,773,766</u>
Fund Cash Balances, December 31					
Nonspendable					
Restricted		321,614	6,575	51,080	379,269
Committed					
Unassigned	276,566				276,566
<i>Fund Cash Balances, December 31</i>	<u>\$276,566</u>	<u>\$321,614</u>	<u>\$6,575</u>	<u>\$51,080</u>	<u>\$655,835</u>

See accompanying notes to the basic financial statements

Village of Walton Hills
Cuyahoga County
Statement of Receipts, Disbursements and Changes in
Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Types
For the Year Ended December 31, 2017

	<u>Agency</u>
Operating Cash Receipts	
JEDD Income Tax	\$763,866
Charges for Services	44,387
Fines, Licenses and Permits	302,637
<i>Total Operating Cash Receipts</i>	<u>1,110,890</u>
Operating Cash Disbursements	
JEDD Disbursements	485,789
Contractual Services	585
Supplies and Materials	423
Other	692,035
<i>Total Operating Cash Disbursements</i>	<u>1,178,832</u>
<i>Operating Loss</i>	(67,942)
<i>Fund Cash Balances, January 1</i>	<u>341,482</u>
<i>Fund Cash Balances, December 31</i>	<u>\$273,540</u>

See accompanying notes to the basic financial statements

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Walton Hills (the Village), Cuyahoga County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Joint Economic Development District and Jointly Governed Organizations

The Village participates in a joint economic development district and jointly governed organizations. Notes 11 and 12 to the financial statements provide additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for its fiduciary fund type which is organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Fund - This fund accounts for and reports financial resources that are restricted to expenditure for principal and interest. 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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Improvement Fund - This fund accounts for all of the Village's capital projects.

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 primarily account for its joint economic development district and mayor's court.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department and personal services level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

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 2017 budgetary activity appears in Note 3.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

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

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.

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.

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
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,420,710	\$4,607,900	\$187,190
Special Revenue	984,166	908,482	(75,684)
Debt Service	1,800,000	1,772,654	(27,346)
Capital Projects	750,000	518,297	(231,703)
Total	\$7,954,876	\$7,807,333	(\$147,543)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,682,966	\$5,561,234	\$121,732
Special Revenue	975,003	947,547	27,456
Debt Service	1,782,272	1,781,635	637
Capital Projects	721,680	640,343	81,337
Total	\$9,161,921	\$8,930,759	\$231,162

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – 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:

	<u>2017</u>
Demand deposits	\$691,988
STAR Ohio	<u>237,387</u>
Total deposits and investments	<u><u>\$929,375</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village or; collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 5 – Taxes

Property Taxes

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
For the Year Ended December 31, 2017

Income Taxes

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

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

Note 6 - Risk Management

The Village has obtained commercial insurance for the following risks:

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of its members' wages and. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$1,710,000	2%
OPWC Loan - Dunham Road Water Main Rehab	115,901	2%
OPWC Loan - Dunham Road Improvement	75,555	0%
OPWC Loan - Walton Road Improvement	41,579	0%
OPWC Loan - Alexander/Dunham Road Improvement	44,640	2%
OPWC Loan - Egbert Road Improvement	155,205	0%
OPWC Loan - Sagamore Road Improvement	120,678	0%
Total	<u>\$2,263,558</u>	

As of December 31, 2017, 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. In 2016, a 30 year OPWC loan for \$122,723 was awarded for the Sagamore Road rehabilitation and water main replacement project, with payments set to begin in 2017.

In November 2016 the Village issued \$1,710,000 in various obligation notes, this includes the purchase of a new building to be used as a community center and rolling over projects from previous years.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization

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

Year Ending December 31:	General Obligation Notes	OPWC Loans	Total
2018	\$1,744,200	\$40,562	\$1,784,762
2019	0	40,562	40,562
2020	0	40,562	40,562
2021	0	40,562	40,562
2022	0	40,562	40,562
2023-2027	0	171,313	171,313
2028-2032	0	68,874	68,874
2033-2037	0	49,738	49,738
2038-2042	0	49,738	49,738
2043-2046	0	27,194	27,194
Total	<u>\$1,744,200</u>	<u>\$569,667</u>	<u>\$2,313,867</u>

Note 10 – 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.

Note 11 – Joint Economic Development District

The Village participates in the Village of Walton Hills-Sagamore Township Joint Economic Development District (JEDD). The JEDD is organized in accordance with Sections 715.71 through 715.82 of the Revised Code. The agreement was approved by Village Council and Sagamore Township Trustees in June 2015, with the first tax collection occurring in October 2015. The JEDD Board of Directors consists of five members; the Mayor of the Village of Walton Hills, the Chairman of the Board of Trustees for Sagamore Hills Township, one representative of business owners in the JEDD, one representative of employees in the JEDD, and one member appointed by the preceding four members. The purpose of the JEDD is to conduct various capital improvements, including rehabilitation and paving of Sagamore Road, replacement of water lines, other infrastructure and periodic capital improvements.

The Board adopted a resolution to levy an income tax on all income as defined in the Village’s income tax ordinance at a rate of two and one-half percent. As the fiscal agent, the Village accounts for the income tax collected in an agency fund and retain three percent for administrative expenses. The remaining income tax collected is split equally and disbursed amongst the Village and the Township.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 12 – Jointly Governed Organizations

Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments (the Council). The Council operates the Chagrin/Southeast HazMat Response Team (the Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. During 2017, the Village contributed \$3,500 to the Council. Financial information can be obtained by contacting the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio, 44139.

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2017. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Suburban Water Regional Council of Governments

The Village is a member of the Suburban Water Regional Council of Governments (SWRCOG). The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. SWRCOG was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the Village of Moreland Hills with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. SWRCOG consists of 70 communities. SWRCOG's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of SWRCOG. The degree of control exercised by each community is limited to its representation in SWRCOG and on the Board. The Village did not make any payments to SWRCOG during 2017. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

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Village of Walton Hills
Cuyahoga County
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$9,506	\$38,137			\$47,643
Municipal Income Tax	4,347,683				4,347,683
Intergovernmental	66,445	210,058		\$369,546	646,049
Special Assessments	425				425
Charges for Services	241,565	400		20,735	262,700
Fines, Licenses and Permits	296,640	7,952		12,060	316,652
Earnings on Investments	2,679			19,125	21,804
Miscellaneous	40,458	1,993	\$9,828	20,358	72,637
<i>Total Cash Receipts</i>	<u>5,005,401</u>	<u>258,540</u>	<u>9,828</u>	<u>441,824</u>	<u>5,715,593</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,657,058	192,435			2,849,493
Public Health Services	8,942				8,942
Leisure Time Activities	224,584				224,584
Community Environment	79,776				79,776
Basic Utility Services	282,538				282,538
Transportation	246,348	858,040			1,104,388
General Government	1,296,416	2,137			1,298,553
Capital Outlay		8,847		1,327,153	1,336,000
Debt Service:					
Principal Retirement			1,309,703		1,309,703
Interest and Fiscal Charges			25,620		25,620
<i>Total Cash Disbursements</i>	<u>4,795,662</u>	<u>1,061,459</u>	<u>1,335,323</u>	<u>1,327,153</u>	<u>8,519,597</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>209,739</u>	<u>(802,919)</u>	<u>(1,325,495)</u>	<u>(885,329)</u>	<u>(2,804,004)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes			1,170,000	550,001	1,720,001
Sale of Capital Assets		3,464		1,373	4,837
Transfers In		819,000	170,000	110,000	1,099,000
Transfers Out	(929,000)			(170,000)	(1,099,000)
Other Financing Uses				(2,222)	(2,222)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(929,000)</u>	<u>822,464</u>	<u>1,340,000</u>	<u>489,152</u>	<u>1,722,616</u>
<i>Net Change in Fund Cash Balances</i>	<u>(719,261)</u>	<u>19,545</u>	<u>14,505</u>	<u>(396,177)</u>	<u>(1,081,388)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,943,666</u>	<u>341,134</u>	<u>1,051</u>	<u>569,303</u>	<u>2,855,154</u>
Fund Cash Balances, December 31					
Restricted		360,679	15,556	173,126	549,361
Assigned	1,224,405				1,224,405
<i>Fund Cash Balances, December 31</i>	<u>\$1,224,405</u>	<u>\$360,679</u>	<u>\$15,556</u>	<u>\$173,126</u>	<u>\$1,773,766</u>

See accompanying notes to the basic financial statements

Village of Walton Hills
Cuyahoga County
Statement of Receipts, Disbursements and Changes in
Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Types
For the Year Ended December 31, 2016

	Agency
Operating Cash Receipts	
JEDD Income Tax	\$775,214
Charges for Services	37,306
Fines, Licenses and Permits	306,178
<i>Total Operating Cash Receipts</i>	<i>1,118,698</i>
Operating Cash Disbursements	
JEDD Disbursements	391,561
Contractual Services	520
Supplies and Materials	732
Other	709,086
<i>Total Operating Cash Disbursements</i>	<i>1,101,899</i>
<i>Operating Income</i>	<i>16,799</i>
<i>Fund Cash Balances, January 1</i>	<i>324,683</i>
<i>Fund Cash Balances, December 31</i>	<i>\$341,482</i>

See accompanying notes to the basic financial statements

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Walton Hills (the Village), Cuyahoga County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Joint Economic Development District and Jointly Governed Organizations

The Village participates in a joint economic development district and jointly governed organizations. Notes 11 and 12 to the financial statements provide additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for its fiduciary fund type which is organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction Maintenance and Repair - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Debt Service Fund - This fund accounts for and reports financial resources that are restricted to expenditure for principal and interest. 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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

Capital Project Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Improvement Fund - This fund accounts for all of the Village's capital projects.

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 primarily account for its joint economic development district and mayor's court.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department and personal services level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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.

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 2016 budgetary activity appears in Note 3.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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.

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:

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

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.

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.

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
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies – (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,933,803	\$5,005,401	\$1,071,598
Special Revenue	993,524	1,081,004	87,480
Debt Service	1,720,000	1,349,828	(370,172)
Capital Projects	756,000	1,103,198	347,198
Total	\$7,403,327	\$8,539,431	\$1,136,104

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,851,507	\$5,773,841	\$77,666
Special Revenue	1,090,647	1,066,139	24,508
Debt Service	1,336,972	1,335,323	1,649
Capital Projects	1,809,303	1,641,555	167,748
Total	\$10,088,429	\$9,816,858	\$271,571

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – 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:

	2016
Demand deposits	<u>\$1,880,380</u>
STAR Ohio	<u>234,868</u>
Total deposits and investments	<u><u>\$2,115,248</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments

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

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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

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

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management

The Village has obtained commercial insurance for the following risks:

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of its members' wages and. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$1,720,000	2%
OPWC Loan - Dunham Road Water Main Rehab	122,550	2%
OPWC Loan - Dunham Road Improvement	79,153	0%
OPWC Loan - Walton Road Improvement	43,387	0%
OPWC Loan - Alexander/Dunham Road Improvement	46,205	2%
OPWC Loan - Egbert Road Improvement	158,133	0%
OPWC Loan - Sagamore Road Improvement	122,723	0%
Total	<u><u>\$2,292,151</u></u>	

As of December 31, 2016, 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. In 2016, a 30 year OPWC loan for \$122,723 was awarded for the Sagamore Road rehabilitation and water main replacement project, with payments set to begin in 2017.

In November 2016, the Village issued \$1,720,000 in various obligation notes, this includes the purchase of a new building to be used as a community center and rolling over projects from previous years.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Amortization

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

Year Ending December 31:	General Obligation Notes	OPWC Loans	Total
2017	\$1,754,400	\$20,281	\$1,774,681
2018	0	40,562	40,562
2019	0	40,562	40,562
2020	0	40,562	40,562
2021	0	40,562	40,562
2022-2026	0	187,063	187,063
2027-2031	0	83,739	83,739
2032-2036	0	49,738	49,738
2037-2041	0	49,738	49,738
2042-2046	0	35,096	35,096
2047	0	2,045	2,045
Total	<u>\$1,754,400</u>	<u>\$589,948</u>	<u>\$2,344,348</u>

Note 10 – 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.

Note 11 – Joint Economic Development District

The Village participates in the Village of Walton Hills-Sagamore Township Joint Economic Development District (JEDD). The JEDD is organized in accordance with Sections 715.71 through 715.82 of the Revised Code. The agreement was approved by Village Council and Sagamore Township Trustees in June 2015, with the first tax collection occurring in October 2015. The JEDD Board of Directors consists of five members; the Mayor of the Village of Walton Hills, the Chairman of the Board of Trustees for Sagamore Hills Township, one representative of business owners in the JEDD, one representative of employees in the JEDD, and one member appointed by the preceding four members. The purpose of the JEDD is to conduct various capital improvements, including rehabilitation and paving of Sagamore Road, replacement of water lines, other infrastructure and periodic capital improvements.

The Board adopted a resolution to levy an income tax on all income as defined in the Village’s income tax ordinance at a rate of two and one-half percent. As the fiscal agent, the Village accounts for the income tax collected in an agency fund and retain three percent for administrative expenses. The remaining income tax collected is split equally and disbursed amongst the Village and the Township.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 12 – Jointly Governed Organizations

Chagrin/Southeast Council of Governments

The Village is a member of the Chagrin/Southeast Council of Governments (the Council). The Council operates the Chagrin/Southeast HazMat Response Team (the Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. During 2016, the Village contributed \$3,500 to the Council. Financial information can be obtained by contacting the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio, 44139.

Northeast Ohio Public Energy Council

The Village is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Village did not contribute to NOPEC during 2016. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Southeast Regional Council of Governments

The Village is a member of a Southeast Regional Council of Governments (SRCG). The SRCG was formed in 2002 to foster cooperation between area municipalities relative to exchanging information, pooling manpower and dealing with reciprocal services, including mutual aid, parallel action, and the exchange of ideas. A part of the SRCG, the Southeast Area Law Enforcement Group (SEALE) is comprised of seven municipalities in southeastern Cuyahoga County for the purpose of providing assistance in the form of a SWAT team, Bomb Unit, Investigation Unit, Narcotics Unit, Crisis Negotiation Team, and Communication Unit. In 2016, the Village contributed \$5,000 to the SEALE. The SEALE financial statements may be obtained by contacting the Finance Director of the City of Bedford, 165 Center Road, Bedford, Ohio 44146.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Suburban Water Regional Council of Governments

The Village is a member of the Suburban Water Regional Council of Governments (SWRCOG). The organization is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. SWRCOG was formed to represent municipal corporation members in communications, understandings, uniform approaches and exchange of information between the council and the Village of Moreland Hills with respect to water service, system and local operations, rates, maintenance and capital improvements. There are no dues or fees assessed against the members of the council. SWRCOG consists of 70 communities. SWRCOG's Board is comprised of 18 trustees elected from nine regional groups. The Board oversees and manages the operation of SWRCOG. The degree of control exercised by each community is limited to its representation in SWRCOG and on the Board. The Village did not make any payments to SWRCOG during 2016. Financial information can be obtained by contacting the Office of the Executive Secretary of the Cuyahoga County Mayors and City Managers Association, 10107 Brecksville Road, Brecksville, Ohio 44141.

OHIO AUDITOR OF STATE KEITH FABER



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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 cash balances, receipts, and disbursements by fund type of the Village of Walton Hills, Cuyahoga County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 22, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2017-001 and 2017-002 to be significant deficiencies.

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 financial statement. 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 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 2017-001.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

October 22, 2020

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Credit Card Policy and Purchasing Controls – Noncompliance and Significant Deficiency

Village of Walton Hills, Ohio, Ordinance 2007-9 (May 2007) – Purchasing Card Policy and Procedures Manual requires adequate supporting documentation to be maintained to support any credit card expenditures and specifically indicates, "a receipt must include the details of the transaction and itemized expenditures totaling the charge made to the card." The policy also indicates, *inter alia*, that charges must have a purchase order prior to incurring the cost, tips cannot exceed 15%, purchases must not include sales tax, card holders are required to maintain itemized receipts for all transactions, personal purchases are prohibited, and no charges by unauthorized persons are allowed.

Management is responsible for designing control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. For cash disbursements, including credit card disbursements, part of the risks associated with the cycle are to ensure transactions are properly authorized, have occurred and pertain to the entity.

Of 89 bank credit card charges tested, the following deficiencies were noted contrary to the Village's established policies and procedures, and/or were not consistent with management's responsibility to achieve an effective internal control environment:

- 33 charges, totaling \$2,116, did not have purchase orders prior to incurring the cost;
- 14 charges, totaling \$2,601, included sales tax to local vendors;
- 12 charges, totaling \$1,248, were not supported by a detailed, itemized receipt; only a summary receipt was provided;
- One charge, totaling \$17, did not have any receipt or support documentation;
- 14 charges, totaling \$314, to restaurants had tips exceeding 15% of the bill;
- 46 charges, totaling \$6,84/4, did not contain the initials of the employee making the transaction;
- Two transactions, totaling \$526, for gift cards did not have prior written approval from the Mayor;
- Four transactions, each over \$500 and, totaling \$6,046 did not contain prior written approval from the Department Head;
- Five transactions, totaling \$1,654, did not complete a Request for Travel Expense form prior to the expense being made;
- One charge totaling \$10 included two individual meals indicating that an expense was incurred for someone other than the entitled card holder; and
- No signed Purchasing Card Cardholder Agreement forms could be supplied for any of the employees issued a credit card by the Village.

While in violation of the Village's policy, the charges were reviewed with no instances of improper disbursements found. Failure to follow established policies and procedures for disbursement transactions, including credit card charges, substantially increases risk of financial statement errors, improper or abusive purchases, and loss of public funds.

The Village should ensure employees are aware of the required credit card policy and management should implement procedures to ensure the credit card purchasing requirements are followed. Additionally, management should evaluate necessity of the number of employees with access to credit cards and should amend its policy to specifically indicate when credit card purchases are permitted.

Official's Response: We did not receive a response from Officials to this finding.

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)

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

FINDING NUMBER 2017-002

Cash Reconciliations – Significant Deficiency

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection. The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Council and/or other administrator are responsible for reviewing the reconciliations and related support.

The following deficiencies were noted with the December 31, 2017 and 2016 bank reconciliations:

- While a separate Mayor's Court reconciliation was performed, the Mayor's Court accounts were also included on the Village's general accounts reconciliation. The Village's general accounts reconciliations used a different bank statement amount than the actual amount and the amount on the Mayor's Court reconciliation, resulting in a book over bank variance of \$763 each year. The Village believed there was some reason for this in the past; however, the exact reason was unknown; and
- On the December 31, 2017 year-end reconciliation, \$1,249 was recorded as an outstanding credit for a payment that was voided in December of 2016; however, the payment should not have been voided, as it cleared the bank in January of 2017. The Village had thought the payment was a duplicate payment, but had not followed up with the vendor to recover the payment. During the audit, it was determined the transaction was erroneously voided, and was not a duplicate payment. The payment should be written off of the Village's bank reconciliation as an expense.

Failure to have accurate bank to book reconciliations and promptly following up on outstanding reconciling items, could leave the Village susceptible to inaccurate financial reporting, fraud, or theft.

The Fiscal Officer should record all transactions and prepare accurate monthly bank to book cash reconciliations. Variances should be investigated, documented and corrected. In addition, the Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response: We did not receive a response from Officials to this finding.



VILLAGE OF WALTON HILLS, OHIO

7595 Walton Road, Walton Hills, Ohio 44146

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status
2015-001	Credit Card Policy and Purchasing Controls	Repeated as Finding 2017-001
2015-002	Cash Reconciliations	Repeated as Finding 2017-002

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF WALTON HILLS

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/1/2020

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This report is a matter of public record and is available online at
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