



**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2003 & 2002**



**Auditor of State  
Betty Montgomery**



VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Agency Fund For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Agency Fund For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Audit Findings.....	15
Schedule of Prior Audit Findings.....	18

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Walton Hills, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because the Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Walton Hills, Cuyahoga County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

April 1, 2004

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$15,651	\$50,610	\$0	\$0	\$0	\$66,261
Income Tax	4,541,215	0	0	0	0	4,541,215
Special Assessments	0	0	58,251	0	0	58,251
Intergovernmental Receipts	168,186	209,714	0	0	0	377,900
Charges for Services	42,312	375	0	12,242	0	54,929
Fines, Licenses, and Permits	208,276	893	0	930	0	210,099
Earnings on Investments	33,138	4,687	10,822	106,900	1,385	156,932
Miscellaneous	14,254	350	0	300	58,500	73,404
	<u>5,023,032</u>	<u>266,629</u>	<u>69,073</u>	<u>120,372</u>	<u>59,885</u>	<u>5,538,991</u>
<b>Total Cash Receipts</b>						
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,824,675	127,400	0	0	0	1,952,075
Leisure Time Activities	212,308	0	0	0	0	212,308
Community Environment	60,679	0	0	0	18,200	78,879
Basic Utility Services	196,380	6,858	0	0	0	203,238
Transportation	799,234	114,285	0	0	0	913,519
General Government	727,737	6,274	577	0	0	734,588
Debt Service:						
Principal Payments	0	0	60,000	0	0	60,000
Interest Payments	0	0	13,286	0	0	13,286
Capital Outlay	0	205,456	5,849	303,094	0	514,399
	<u>3,821,013</u>	<u>460,273</u>	<u>79,712</u>	<u>303,094</u>	<u>18,200</u>	<u>4,682,292</u>
<b>Total Cash Disbursements</b>						
Total Receipts Over/(Under) Disbursements	<u>1,202,019</u>	<u>(193,644)</u>	<u>(10,639)</u>	<u>(182,722)</u>	<u>41,685</u>	<u>856,699</u>
<b>Other Financing Receipts and (Disbursements):</b>						
Sale of Bonds or Notes	0	0	2,300,000	0	0	2,300,000
Sale of Fixed Assets	5,092	0	0	0	0	5,092
Transfers-In	0	73,514	0	0	0	73,514
Advances-In	0	35,000	0	0	0	35,000
Transfers-Out	(73,514)	0	0	0	0	(73,514)
Advances-Out	(35,000)	0	0	0	0	(35,000)
Other Financing Uses	0	0	0	(19,141)	0	(19,141)
	<u>(103,422)</u>	<u>108,514</u>	<u>2,300,000</u>	<u>(19,141)</u>	<u>0</u>	<u>2,285,951</u>
<b>Total Other Financing Receipts/(Disbursements)</b>						
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,098,597	(85,130)	2,289,361	(201,863)	41,685	3,142,650
Fund Cash Balances, January 1, 2003	<u>2,514,188</u>	<u>472,905</u>	<u>53,617</u>	<u>6,840,575</u>	<u>118,540</u>	<u>9,999,825</u>
<b>Fund Cash Balances, December 31, 2003</b>	<u><b>\$3,612,785</b></u>	<u><b>\$387,775</b></u>	<u><b>\$2,342,978</b></u>	<u><b>\$6,638,712</b></u>	<u><b>\$160,225</b></u>	<u><b>\$13,142,475</b></u>
Reserves for Encumbrances, December 31, 2003	<u>\$0</u>	<u>\$16,643</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$16,643</u>

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

VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Agency</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	211,202
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>219,893</u>
Net Receipts (Under) Disbursements	(8,691)
Fund Cash Balances, January 1, 2003	<u>18,733</u>
<b>Fund Cash Balances, December 31, 2003</b>	<b><u><u>\$10,042</u></u></b>

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



**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$17,145	\$54,014	\$0	\$0	\$0	\$71,159
Income Tax	3,184,393	0	0	0	0	3,184,393
Special Assessments	0	0	74,942	0	0	74,942
Intergovernmental Receipts	352,401	196,398	0	0	0	548,799
Charges for Services	64,749	266	0	9,329	0	74,344
Fines, Licenses, and Permits	225,706	967	0	900	0	227,573
Earnings on Investments	57,811	6,655	955	114,661	2,308	182,390
Miscellaneous	41,607	5,808	0	0	43,500	90,915
<b>Total Cash Receipts</b>	<b>3,943,812</b>	<b>264,108</b>	<b>75,897</b>	<b>124,890</b>	<b>45,808</b>	<b>4,454,515</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,545,906	132,838	0	0	0	1,678,744
Leisure Time Activities	156,622	0	0	0	0	156,622
Community Environment	56,258	0	0	0	75,500	131,758
Basic Utility Services	194,336	6,636	0	0	0	200,972
Transportation	557,219	62,303	0	0	0	619,522
General Government	737,730	7,000	742	0	0	745,472
Debt Service:						
Principal Payments	0	0	60,000	0	0	60,000
Interest Payments	0	0	11,900	0	0	11,900
Capital Outlay	12,580	34,342	0	693,956	0	740,878
<b>Total Cash Disbursements</b>	<b>3,260,651</b>	<b>243,119</b>	<b>72,642</b>	<b>693,956</b>	<b>75,500</b>	<b>4,345,868</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>683,161</b>	<b>20,989</b>	<b>3,255</b>	<b>(569,066)</b>	<b>(29,692)</b>	<b>108,647</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In	2,723	76,384	160	23,416	0	102,683
Transfers-Out	(99,960)	(223)	0	0	(2,500)	(102,683)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(97,237)</b>	<b>76,161</b>	<b>160</b>	<b>23,416</b>	<b>(2,500)</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	585,924	97,150	3,415	(545,650)	(32,192)	108,647
Fund Cash Balances, January 1, 2002	1,928,264	375,755	50,202	7,386,225	150,732	9,891,178
<b>Fund Cash Balances, December 31, 2002</b>	<b>\$2,514,188</b>	<b>\$472,905</b>	<b>\$53,617</b>	<b>\$6,840,575</b>	<b>\$118,540</b>	<b>\$9,999,825</b>
Reserves for Encumbrances, December 31, 2002	\$2,533	\$0	\$0	\$0	\$0	\$2,533

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

VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Agency</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$258,631
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>254,133</u>
Net Receipts Over Disbursements	4,498
Fund Cash Balances, January 1, 2002	<u>14,235</u>
<b>Fund Cash Balances, December 31, 2002</b>	<b><u><u>\$18,733</u></u></b>

*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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Walton Hills, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides leisure time activities, rubbish collection, zoning, road maintenance and police services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

U.S. Treasury Notes are valued at cost. The investment in STAR Ohio (The State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

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

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

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

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

General Obligation Bond Retirement – This fund receives special assessment collections that are used to retire the special assessment bonds issued. The fund also received the proceeds of a general obligation bond anticipation note which will be used for improving Dunham Road.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Other Capital Projects Fund - This fund is used to account for the Dunham Road project.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Building Bond Fund - This fund is used to account for contractor's performance bonds received and returned when the project is completed.

Mayor's Court Fund - This fund is used to account for the activities of the Mayor's Court.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level for the general fund and fund level for all other funds, and appropriations may not exceed estimated resources. The 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 also approve estimated resources.

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

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

Contrary to Ohio Rev. Code § 5705.41(B)(D), material instances of noncompliance were noted in which expenditures plus encumbrances exceeded appropriations as of October 31, 2003 and 2002, and December 31, 2003 and 2002.

Contrary to Ohio Rev. Code § 133.22(B), the Village issued a general obligation bond anticipation note for \$2,300,000 in May 2002, but did not notify the county auditor as required.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	\$177,080	\$96,484
Total deposits	177,080	96,484
U.S. Treasury Notes	0	1,019,141
STAR Ohio	12,975,437	8,902,933
Total investments	12,975,437	9,922,074
Total deposits and investments	\$13,152,517	\$10,018,558

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

**Investments:** U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. The investment in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,555,534	\$5,028,124	(\$527,410)
Special Revenue	350,956	340,143	(10,813)
Debt Service	76,000	2,369,073	2,293,073
Capital Projects	175,000	120,372	(54,628)
Expendable Trust	52,700	59,885	7,185
Total	\$6,210,190	\$7,917,597	\$1,707,407

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,928,350	\$3,894,527	\$33,823
Special Revenue	512,062	476,916	35,146
Debt Service	80,000	79,712	288
Capital Projects	847,000	322,235	524,765
Expendable Trust	55,900	18,200	37,700
Total	\$5,423,312	\$4,791,590	\$631,722

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,945,569	\$3,946,535	\$966
Special Revenue	340,492	340,492	0
Debt Service	76,057	76,057	0
Capital Projects	148,306	148,306	0
Expendable Trust	45,808	45,808	0
Total	\$4,556,232	\$4,557,198	\$966

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,446,500	\$3,363,144	\$83,356
Special Revenue	238,057	243,342	(5,285)
Debt Service	73,000	72,642	358
Capital Projects	700,000	693,956	6,044
Expendable Trust	79,500	78,000	1,500
Total	\$4,537,057	\$4,451,084	\$85,973

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. LOCAL INCOME TAX**

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

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond Anticipation Note	\$2,300,000	1.35%

The General Obligation Bond Anticipation Note was issued in anticipation of a like principal amount of bonds being issued for the purpose of improving Dunham Road. The Note was issued for a one year period and was payable at maturity. The Note is collateralized by the Village's taxing authority.

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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

**9. CONTINGENT LIABILITIES**

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





**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL 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 the accompanying financial statements of the Village of Walton Hills, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated April 1, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, and implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 1, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-003.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We considered the reportable condition described above, item 2003-003 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 1, 2004.

This report is intended for the information and use of management, the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

April 1, 2004

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY  
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

**SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	2003-001
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Ohio Rev. Code § 133.22(B), requires that when a subdivision issues notes, the financial officer of the subdivision must notify the county auditor that such notes have been sold. In May 2002, the Village issued a general obligation bond anticipation note for \$2,300,000 but did not notify the county auditor. Once received, the county auditor would have issued an amended certificate of estimated resources.

We recommend that when issuing a note the Village should notify the county auditor and obtain an amended certificate of estimated resources.

<b>Finding Number</b>	2003-002
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Ohio Rev. Code § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated. Ohio Rev. Code § 5705.41(D), provides that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditure lacking prior certification shall be void.

As of October 31, 2003 and 2002, and December 31, 2003 and 2002, the following fund/function/objects had expenditures plus encumbrances in excess of appropriations:

	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<b><u>October 31, 2003</u></b>			
General Fund			
Security of Persons/Property - Other	510,764	668,803	(158,039)
Recreation Department - Other	47,689	150,056	(102,367)
Basic Utility Service	191,640	199,882	(8,242)
Road Department - Other	190,543	295,969	(105,426)
General Government - Other	210,061	334,802	(124,741)
Special Revenue Fund			
Street Construction - Other	76,000	121,570	(45,570)
Street Construction - Capital Outlay	75,000	186,662	(111,662)
LETF Capital Outlay - Equipment	1,000	1,784	(784)
Water Meter and Repair Fund - Other	6,700	6,858	(158)

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY  
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

**SCHEDULE OF FINDINGS**

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

<b>Finding Number</b>	2003-002
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(Continued)

	Appropriations	Expenditures Plus Encumbrances	Excess
<b><u>October 31, 2002</u></b>			
General Fund			
Recreation Department - Other	78,900	99,483	(20,583)
Community Environment - Personal Services	42,800	45,312	(2,512)
General Government - Other	227,630	264,317	(36,687)
Special Revenue Fund			
Water Meter and Repair Fund - Other	4,000	6,700	(2,700)
Expendable Trust Fund			
Building Bond Fund	72,000	72,500	(500)
<b><u>December 31, 2003</u></b>			
General Fund			
Security of Person/Property - Other	520,765	680,105	(159,340)
Recreation Department - Other	133,010	155,027	(22,017)
Community Environment - Personal Services	52,100	55,022	(2,922)
Road Department - Other	233,620	275,474	(41,854)
General Government - Other	215,000	264,720	(49,720)
<b><u>December 31, 2002</u></b>			
General Fund			
Security of Person/Property - Other	472,000	487,429	(15,429)
General Government - Other	280,000	283,428	(3,428)

We recommend the Village monitor appropriations vs. expenditures plus encumbrances on a regular basis.

VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY  
DECEMBER 31, 2003 AND DECEMBER 31, 2002

SCHEDULE OF FINDINGS

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

(Continued)

Finding Number	2003-003
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**Accounting for Mayor's Court Activity and Building Bond Deposits**

The Village operates a Mayor's Court which includes collecting and disbursing Court funds. However, Court activity is not being posted to the Village's financial statements. As a result, the financial information for Court activity was aggregated and the accompanying financial statements reflect the correcting adjustments. The correcting adjustment represents 100% of agency fund activity.

Also, in September 2003, the Village received \$21,000 from Nodding Hills for their building bond deposit and deposited the money in a separate bank account. However, this amount was not posted to the Village's financial statements. The accompanying financial statements reflect this correcting adjustment.

We recommend that all Mayor's Court activity and building bond deposits be posted to the Village's financial statements.

**VILLAGE OF WALTON HILLS  
 CUYAHOGA COUNTY  
 DECEMBER 31, 2003 AND DECEMBER 31, 2002**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<p style="text-align: center;"><u>Finding Summary</u></p>	<p style="text-align: center;"><u>Fully Corrected?</u></p>	<p>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b></p>
<p>Ohio Rev. Code § 5705.39, appropriations exceeding total estimated resources</p>	<p style="text-align: center;">No</p>	<p>Repeated, the Special Revenue Fund - Street Construction Fund's appropriations exceeded the total estimated resources by \$10,000 and is being reported in the management letter.</p>



**Auditor of State  
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**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  
MAY 13, 2004**