



Dave Yost • Auditor of State

VILLAGE OF WALTON HILLS-SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC DEVELOPMENT
DISTRICT
CUYAHOGA COUNTY
DECEMBER 31, 2016 AND 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Walton Hills-Sagamore Hills Township Joint Economic Development District
Cuyahoga County
7595 Walton Road
Walton Hills, Ohio 44146

To the Board:

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-Sagamore Hills Township Joint Economic Development District, Cuyahoga, Ohio (the District) as of and for the years ended December 31, 2016 and 2015.

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 District'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 District'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 District 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 District 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 District as of December 31, 2016 and 2015, 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-Sagamore Hills Township Joint Economic Development District, Cuyahoga County, as of December 31, 2016 and 2015, 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 November 2, 2017, on our consideration of the District'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 District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 2, 2017

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VILLAGE OF WALTON HILLS - SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC DEVELOPMENT DISTRICT
 CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN FUND BALANCES (CASH BASIS)
 GOVERNMENTAL FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General Fund</u>
Cash Receipts	
Income Taxes	<u>\$775,214</u>
Cash Disbursements	
Income Tax Collection and Administrative Fees	22,809
Sagamore Hills Township Disbursement	368,752
Village of Walton Hills Disbursement	<u>368,752</u>
<i>Total Cash Disbursements</i>	<u>760,313</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,901</u>
<i>Fund Cash Balances, January 1</i>	<u>164,512</u>
Fund Cash Balances, December 31	
Unassigned	<u>179,413</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$179,413</u></u>

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

**VILLAGE OF WALTON HILLS – SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC
DEVELOPMENT DISTRICT**

Cuyahoga County

*Notes to the Financial Statements
For the Year Ended December 31, 2016*

Note 1 - Reporting District

The Village of Walton Hills – Sagamore Hills Township Joint Economic Development District (the District), Cuyahoga County, is a body politic and corporate established under the authority of Ohio Revised Code Sections 715.72 through 715.81. The District operates under an appointed five-member Board of Directors established in accordance with Ohio Revised Code Section 715.78(A). The purpose of the District is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the Village, Township and District.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The District's financial statement is a combined statement of receipts, disbursements and changes in fund balances (cash basis) for its governmental fund type.

Fund Accounting

The District uses a fund 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 fund of the District is a general fund, which accounts for and reports all financial resources. Its balance is available to the District for any purpose provided it is expended according to the general laws of Ohio.

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.

Deposits

The District's accounting basis includes cash deposits as assets.

VILLAGE OF WALTON HILLS – SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC
DEVELOPMENT DISTRICT

Cuyahoga County

Notes to the Financial Statements
For the Year Ended December 31, 2016

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The District 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 Governing Board can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Governing Board 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 District Governing Board or an District official delegated that authority by resolution, or by State Statute.

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 District 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 – Deposits

The District maintains a cash fund balance composed of its deposits. The Ohio Revised Code prescribes allowable deposits. Deposits are insured by the Federal Depository Insurance Corporation. The carrying amount of deposits at December 31 was composed of demand deposits totaling \$179,413.

**VILLAGE OF WALTON HILLS – SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC
DEVELOPMENT DISTRICT**

Cuyahoga County

*Notes to the Financial Statements
For the Year Ended December 31, 2016*

Note 4 – Income Taxes

The District levies a municipal income tax of 2.5 percent on substantially all earned income arising from employment, residency, or business activities within the District as well as certain income of residents earned outside of the District.

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

3 percent of income taxes collected within the District are dedicated to compensating the Village of Walton Hills for services provided to the District in collecting and distributing the income tax. The remaining income taxes collected with the District shall be expended and distributed in accordance with Section 10 of the District's agreement.

Within 30 days after the close of each calendar quarter, the District distributes income tax collections to sources designated by the Village of Walton Hills, Sagamore Hills Township and District Board.

Note 5 - Risk Management

Commercial Insurance

The District has obtained commercial insurance for comprehensive property and general liabilities covering through the policy held by the Village of Walton Hills.

VILLAGE OF WALTON HILLS - SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC DEVELOPMENT DISTRICT
 CUYAHOGA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
 AND CHANGES IN FUND BALANCES (CASH BASIS)
 GOVERNMENTAL FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General Fund</u>
Cash Receipts	
Income Taxes	<u>\$164,512</u>
<i>Fund Cash Balances, June 16</i>	<u>0</u>
Fund Cash Balances, December 31	
Unassigned	<u>164,512</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$164,512</u></u>

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

**VILLAGE OF WALTON HILLS – SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC
DEVELOPMENT DISTRICT**

Cuyahoga County

*Notes to the Financial Statements
For the Year Ended December 31, 2015*

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Basis of Presentation

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Basis of Accounting

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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.

Deposits

The District's accounting basis includes cash deposits as assets.

VILLAGE OF WALTON HILLS – SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC
DEVELOPMENT DISTRICT

Cuyahoga County

Notes to the Financial Statements
For the Year Ended December 31, 2015

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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Note 3 – Deposits

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**VILLAGE OF WALTON HILLS – SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC
DEVELOPMENT DISTRICT**

Cuyahoga County

*Notes to the Financial Statements
For the Year Ended December 31, 2015*

Note 4 – Income Taxes

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Within 30 days after the close of each calendar quarter, the District distributes income tax collections to sources designated by the Village of Walton Hills, Sagamore Hills Township and District Board.

Note 5 - Risk Management

Commercial Insurance

The District has obtained commercial insurance for comprehensive property and general liabilities covering through the policy held by the Village of Walton Hills.



Dave Yost • Auditor of State

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

Village of Walton Hills-Sagamore Hills Township Joint Economic Development District
Cuyahoga County
7595 Walton Road
Walton Hills, Ohio 44146

To the Board:

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 of the Village of Walton Hills-Sagamore Hills Township Joint Economic Development District, Cuyahoga County, (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 2, 2017, wherein we noted the District 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 District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District'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 District'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

November 2, 2017

VILLAGE OF WALTON HILLS-SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC DEVELOPMENT
DISTRICT
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the District's Board and management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The District did not report its Unassigned equity balances on its financial statements for the years ended December 31, 2016 and 2015 in the amounts of \$179,413 and \$164,512, respectively. The lack of controls over financial reporting resulted in errors that required adjustments to be made by the District to its financial statements.

We recommend the District take appropriate measures to help ensure its financial statements are complete and presented in accordance with all applicable accounting standards.

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

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**VILLAGE OF WALTON HILLS – SAGAMORE HILLS TOWNSHIP JOINT ECONOMIC DEVELOPMENT
DISTRICT**

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
NOVEMBER 30, 2017**