



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

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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, 2019 and 2018.

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(C) 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(C), 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(C) 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, 2019 and 2018, 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, 2019 and 2018, 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(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the 2019 financial statements, the financial impact of COVID-19 and related emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2022, 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

March 31, 2022

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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, 2019**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$459,647	\$45,761	\$0	\$408,268	\$913,676
Municipal Income Taxes	4,264,741	0	0	0	4,264,741
Intergovernmental	75,008	267,022	0	0	342,030
Special Assessments	167,093	0	0	0	167,093
Charges for Services	148,994	0	0	0	148,994
Fines, Licenses, and Permits	983,204	9,213	0	26,149	1,018,566
Earnings on Investments	11,722	0	0	0	11,722
Miscellaneous	10,497	2,980	0	503	13,980
<i>Total Cash Receipts</i>	<u>6,120,906</u>	<u>324,976</u>	<u>0</u>	<u>434,920</u>	<u>6,880,802</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,453,790	147,445	0	0	2,601,235
Public Health Services	10,812	0	0	0	10,812
Leisure Time Activities	206,005	0	0	0	206,005
Community Environment	57,681	0	0	0	57,681
Basic Utility Services	311,074	0	0	0	311,074
Transportation	208,544	817,443	0	0	1,025,987
General Government	875,088	0	0	0	875,088
Capital Outlay	0	11,073	0	797,824	808,897
Debt Service:					
Principal Retirement	0	0	1,680,563	0	1,680,563
Interest and Fiscal Charges	0	0	50,623	0	50,623
<i>Total Cash Disbursements</i>	<u>4,122,994</u>	<u>975,961</u>	<u>1,731,186</u>	<u>797,824</u>	<u>7,627,965</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,997,912</u>	<u>(650,985)</u>	<u>(1,731,186)</u>	<u>(362,904)</u>	<u>(747,163)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	8,836	0	0	8,836
Sale of Notes	0	0	1,495,000	0	1,495,000
Loans Issued	0	0	0	49,930	49,930
Premium and Accrued Interest on Debt	0	0	8,835	0	8,835
Transfers In	0	732,147	220,000	620,000	1,572,147
Transfers Out	(1,352,147)	0	0	(220,000)	(1,572,147)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,352,147)</u>	<u>740,983</u>	<u>1,723,835</u>	<u>449,930</u>	<u>1,562,601</u>
<i>Net Change in Fund Cash Balances</i>	645,765	89,998	(7,351)	87,026	815,438
<i>Fund Cash Balances, January 1</i>	<u>131,683</u>	<u>397,837</u>	<u>11,624</u>	<u>233,647</u>	<u>774,791</u>
Fund Cash Balances, December 31					
Restricted	0	487,835	4,273	320,673	812,781
Assigned	35,664	0	0	0	35,664
Unassigned	741,784	0	0	0	741,784
<i>Fund Cash Balances, December 31</i>	<u>\$777,448</u>	<u>\$487,835</u>	<u>\$4,273</u>	<u>\$320,673</u>	<u>\$1,590,229</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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Fiduciary Fund Type</u>
	Agency
Operating Cash Receipts	
JEDD Income Tax	\$764,291
Charges for Services	80,626
Miscellaneous	14,400
Fines, Licenses and Permits	319,893
	<hr/>
<i>Total Operating Cash Receipts</i>	1,179,210
	<hr/>
Operating Cash Disbursements	
Supplies and Materials	206
JEDD Disbursements	898,420
Other	360,848
	<hr/>
<i>Total Operating Cash Disbursements</i>	1,259,474
	<hr/>
<i>Net Change in Fund Cash Balances</i>	(80,264)
<i>Fund Cash Balances, January 1</i>	380,065
	<hr/>
<i>Fund Cash Balances, December 31</i>	\$299,801
	<hr/> <hr/>

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Walton Hills (the Village), Cuyahoga County, 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 the neighboring communities for fire protection and emergency medical services.

Jointly Governed Organizations

The Village participates in the Village of Walton Hills-Sagamore Hills Township Joint Economic Development District (JEDD), a jointly governed organization. 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 Hills Township Trustees in June 2015, with the first tax collection occurring in October 2015. The Village is the fiscal agent of the JEDD. Note 11 provides additional information regarding the organization.

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 balance (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 Funds:

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.

Police Pension Fund The police pension 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
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Debt Service Funds These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Special Bond Retirement Fund The special bond retirement fund is used to account for the retirement of notes and loans.

Capital Project Funds These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Improvement Fund This fund is used to account for most capital projects in the Village, including major road reconstruction.

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 report fiduciary activity that is not required to be reported in a trust fund. The Village's agency funds account for activities in the Mayor's Court, contractor's performance bonds, miscellaneous third party deposits, and the Village of Walton Hills-Sagamore Hills Township JEDD.

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, personal services and other expenses 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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

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 2019 budgetary activity appears in Note 3.

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.

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, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance (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, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,088,472	\$6,120,906	\$1,032,434
Special Revenue	834,178	1,065,959	231,781
Debt Service	1,690,000	1,723,835	33,835
Capital Projects	661,235	1,104,850	443,615
Total	\$8,273,885	\$10,015,550	\$1,741,665

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,413,578	\$5,510,805	(\$97,227)
Special Revenue	1,018,104	979,848	38,256
Debt Service	1,735,565	1,731,186	4,379
Capital Projects	1,524,482	1,878,976	(354,494)
Total	\$9,691,729	\$10,100,815	(\$409,086)

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments

The Village maintains a deposits 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:

	2019
Demand Deposits	\$1,377,365
STAR Plus	264,932
Total Deposits	<u>1,642,297</u>
STAR Ohio	<u>247,733</u>
Total Deposits and Investments	<u><u>\$1,890,030</u></u>

Deposits

Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method.

Deposits are insured by the Federal Deposit Insurance Corporation 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

A financial institution's trust department holds the Village's equity securities in book-entry form in the Village's name. Investments in STAR Ohio 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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, 2019

Note 5 – Taxes (continued)

Income Taxes

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

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.

The Village of Walton Hills and Sagamore Hills Township agreed to a Joint Economic Development (JEDD) which encompasses several parcels. Business within the JEDD are subject to an income tax rate of 2.5%. Within thirty days of the close of each calendar quarter the Village shall distribute the income tax revenues according to the agreement.

Note 6 – Risk Management

The Village has obtained commercial insurance for the following risks:

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

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans (continued)

Ohio Police and Fire Retirement System (continued)

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police. The Village has paid all contributions required through December 31, 2019.

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan- Dunham Road Water Main Rehab	\$88,632	2.00%
OPWC Loan- Dunham Road Improvement	61,164	0.00%
OPWC Loan- Walton Road Improvement	34,348	0.00%
OPWC Loan- Alexander/Dunham Improvement	38,222	2.00%
OPWC Loan- Egbert Road Improvement	143,492	0.00%
OPWC Loan- Sagamore Road Improvement	112,496	0.00%
OPWC Loan- Alexander Road Reconstruction	49,930	0.00%
Various Purpose Notes	1,495,000	2.75%
Total	<u>\$2,023,284</u>	

As of December 31, 2019, the Village has seven loans outstanding with the Ohio Public Works Commission (OPWC). The Village repays the loans in semiannual installments over 20 or 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 loan for \$143,914 and \$72,312 were awarded for the Dunham Road improvement and Walton Road improvement projects, 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 replacement project. In 2019, a 20 year OPWC loan was awarded for the Alexander Road reconstruction road project. The initial amount of the loan proceeds was \$49,930, with a maximum amount of \$200,000 available. As of December 31, 2019, the loan was not finalized with OPWC.

In November 2019, the Village issued \$1,495,000 in various purpose general obligation notes, which is a rollover of notes from projects in previous years.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (continued)

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

Year Ending December 31:	OPWC Loans*	General Obligation Notes	Total
2020	\$40,562	\$1,536,113	\$1,576,675
2021	40,562		40,562
2022	40,562		40,562
2023	40,562		40,562
2024	40,562		40,562
2025-2029	127,212		127,212
2030-2034	51,745		51,745
2035-2039	49,738		49,738
2040-2044	46,810		46,810
2045-2047	10,227		10,227
Total	\$488,542	\$1,536,113	\$2,024,655

* As noted above, the loan for the Alexander Road reconstruction project was not finalized as of December 31, 2019; therefore, future obligations relating to the \$49,930 initial loan are not included in the outstanding OPWC loan amortization schedule.

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 – Jointly Governed Organizations

The Village participates in the Village of Walton Hills-Sagamore Hills 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 Hills 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 2.5 percent. As the fiscal agent, the Village accounts for the income tax collected in an agency fund and retain 3 percent of collections for administrative expenses. The remaining income tax collected is split equally and disbursed amongst the Village and Township.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Subsequent Event

On October 20, 2020, Council authorized the issuance of notes not to exceed \$1,295,000 in anticipation of the issuance of bonds for the purpose of constructing and installing road improvements, and authorized the issuance of notes in the amount not to exceed \$2,600,000 in anticipation of the issuance of bonds for the purpose of bonds for the purpose of constructing and installing road improvements for the Dunham Road Reconstruction Project.

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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, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$91	\$46,211	\$0	\$0	\$46,302
Municipal Income Taxes	3,732,347	0	0	0	3,732,347
Intergovernmental	63,978	213,653	0	131,673	409,304
Special Assessments	68,025	0	0	0	68,025
Charges for Services	319,132	150	0	0	319,282
Fines, Licenses, and Permits	552,340	7,606	0	23,119	583,065
Earnings on Investments	9,692	0	0	0	9,692
Miscellaneous	52,074	294	0	701	53,069
<i>Total Cash Receipts</i>	<u>4,797,679</u>	<u>267,914</u>	<u>0</u>	<u>155,493</u>	<u>5,221,086</u>
Cash Disbursements					
Current:					
Security of Persons and Property	2,320,228	170,892	0	0	2,491,120
Public Health Services	9,398	0	0	0	9,398
Leisure Time Activities	197,897	0	0	0	197,897
Community Environment	58,702	0	0	0	58,702
Basic Utility Services	320,592	0	0	0	320,592
Transportation	164,303	728,772	0	0	893,075
General Government	1,004,023	2,026	0	0	1,006,049
Capital Outlay	0	13,352	0	108,088	121,440
Debt Service:					
Principal Retirement	0	0	1,750,563	0	1,750,563
Interest and Fiscal Charges	0	0	40,834	0	40,834
<i>Total Cash Disbursements</i>	<u>4,075,143</u>	<u>915,042</u>	<u>1,791,397</u>	<u>108,088</u>	<u>6,889,670</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>722,536</u>	<u>(647,128)</u>	<u>(1,791,397)</u>	<u>47,405</u>	<u>(1,668,584)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	3,151	0	134,943	138,094
Sale of Notes	0	0	1,640,000	0	1,640,000
Premium and Accrued Interest on Debt	0	0	9,446	0	9,446
Transfers In	0	720,200	147,000	147,219	1,014,419
Transfers Out	(867,419)	0	0	(147,000)	(1,014,419)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(867,419)</u>	<u>723,351</u>	<u>1,796,446</u>	<u>135,162</u>	<u>1,787,540</u>
<i>Net Change in Fund Cash Balances</i>	<u>(144,883)</u>	<u>76,223</u>	<u>5,049</u>	<u>182,567</u>	<u>118,956</u>
<i>Fund Cash Balances, January 1</i>	<u>276,566</u>	<u>321,614</u>	<u>6,575</u>	<u>51,080</u>	<u>655,835</u>
Fund Cash Balances, December 31					
Restricted	0	397,837	11,624	233,647	643,108
Assigned	131,683	0	0	0	131,683
<i>Fund Cash Balances, December 31</i>	<u>\$131,683</u>	<u>\$397,837</u>	<u>\$11,624</u>	<u>\$233,647</u>	<u>\$774,791</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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Fiduciary Fund Type</u>
	Agency
Operating Cash Receipts	
JEDD Income Tax	\$756,151
Charges for Services	53,538
Fines, Licenses and Permits	296,411
	<hr/>
<i>Total Operating Cash Receipts</i>	1,106,100
	<hr/>
Operating Cash Disbursements	
Supplies and Materials	600
JEDD Disbursements	667,999
Other	330,976
	<hr/>
<i>Total Operating Cash Disbursements</i>	999,575
	<hr/>
<i>Net Change in Fund Cash Balances</i>	106,525
<i>Fund Cash Balances, January 1</i>	273,540
	<hr/>
<i>Fund Cash Balances, December 31</i>	\$380,065
	<hr/> <hr/>

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Walton Hills (the Village), Cuyahoga County, 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 the neighboring communities for fire protection and emergency medical services.

Jointly Governed Organizations

The Village participates in the Village of Walton Hills-Sagamore Hills Township Joint Economic Development District (JEDD), a jointly governed organization. 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 Hills Township Trustees in June 2015, with the first tax collection occurring in October 2015. The Village is the fiscal agent of the JEDD. Note 11 provides additional information regarding the organization.

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 balance (regulatory cash basis) for the 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 Funds:

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.

Police Pension Fund The police pension 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
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Debt Service Funds These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Special Bond Retirement Fund The special bond retirement fund is used to account for the retirement of notes and loans.

Capital Project Funds These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Improvement Fund This fund is used to account for most capital projects in the Village, including major road reconstruction.

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 report fiduciary activity that is not required to be reported in a trust fund. The Village's agency funds account for activities in the Mayor's Court, contractor's performance bonds, miscellaneous third party deposits, and the Village of Walton Hills-Sagamore Hills Township JEDD.

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, personal services and other expenses 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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

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 2018 budgetary activity appears in Note 3.

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.

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, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance (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, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,104,305	\$4,797,679	(\$306,626)
Special Revenue	987,203	991,265	4,062
Debt Service	1,796,446	1,796,446	0
Capital Projects	437,653	437,655	2
Total	\$8,325,607	\$8,023,045	(\$302,562)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,975,302	\$4,981,710	(\$6,408)
Special Revenue	927,527	921,578	5,949
Debt Service	1,791,400	1,791,397	3
Capital Projects	278,500	255,370	23,130
Total	\$7,972,729	\$7,950,055	\$22,674

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments

The Village maintains a deposits 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:

	2019
Demand Deposits	<u>\$653,913</u>
STAR Plus	<u>258,884</u>
Total Deposits	<u>912,797</u>
STAR Ohio	<u>242,059</u>
Total Deposits and Investments	<u><u>\$1,154,856</u></u>

Deposits

Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions have the option of participating in OPCS or collateralizing utilizing the specific pledge method.

Deposits are insured by the Federal Deposit Insurance Corporation 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

A financial institution's trust department holds the Village's equity securities in book-entry form in the Village's name. Investments in STAR Ohio 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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, 2018

Note 5 – Taxes (continued)

Income Taxes

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

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.

The Village of Walton Hills and Sagamore Hills Township agreed to a Joint Economic Development (JEDD) which encompasses several parcels. Business within the JEDD are subject to an income tax rate of 2.5%. Within thirty days of the close of each calendar quarter the Village shall distribute the income tax revenues according to the agreement.

Note 6 – Risk Management

The Village has obtained commercial insurance for the following risks:

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

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police. The Village has paid all contributions required through December 31, 2018.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan- Dunham Road Water Main Rehab	\$102,402	2.00%
OPWC Loan- Dunham Road Improvement	68,359	0.00%
OPWC Loan- Walton Road Improvement	37,963	0.00%
OPWC Loan- Alexander/Dunham Improvement	41,463	2.00%
OPWC Loan- Egbert Road Improvement	149,349	0.00%
OPWC Loan- Sagamore Road Improvement	116,587	0.00%
Various Purpose Notes	<u>1,640,000</u>	2.75%
Total	<u>\$2,156,123</u>	

As of December 31, 2018, the Village has six loans outstanding with the Ohio Public Works Commission (OPWC). The Village repays the loans in semiannual installments over 20 or 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 loan for \$143,914 and \$72,312 were awarded for the Dunham Road improvement and Walton Road improvement projects, 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 replacement project.

In November 2018, the Village issued \$1,640,000 in various purpose general obligation notes, which is a rollover of notes from projects in previous years.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

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

Year Ending December 31:	OPWC Loans	General Obligation Notes	Total
2019	\$40,562	\$1,685,100	\$1,725,662
2020	40,462		40,462
2021	40,562		40,562
2022	40,562		40,562
2023	40,562		40,562
2024-2028	151,965		151,965
2029-2033	57,606		57,606
2034-2038	49,738		49,738
2039-2043	49,738		49,738
2043-2047	17,246		17,246
Total	<u>\$529,003</u>	<u>\$1,685,100</u>	<u>\$2,214,103</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 – Jointly Governed Organizations

The Village participates in the Village of Walton Hills-Sagamore Hills 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 Hills 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 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 2.5 percent. As the fiscal agent, the Village accounts for the income tax collected in an agency fund and retain 3 percent of collections for administrative expenses. The remaining income tax collected is split equally and disbursed amongst the Village and Township.

**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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated March 31, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the related emergency measures which may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

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 a 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. We consider finding 2019-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2019-002 and 2019-003 described in the accompanying schedule of findings 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 2019-002.

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

March 31, 2022

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to a lack of internal controls, the following errors to the Village's financial reports were identified for the year ended December 31, 2019 and adjusted by the Village's management:

- Property tax receipts in the General Fund were understated by \$418,060 with a corresponding overstatement special assessment receipts in the same amount;
- Capital Projects Fund intergovernmental receipts from various state and local third parties, totaling \$76,075, were misposted as miscellaneous receipts;
- Capital Projects Fund capital outlay expenditures were understated by \$382,123, with corresponding understatements of other financing sources-loans issued of \$49,930, and intergovernmental receipts of \$332,193, respectively. The reason for the error was the Village reduced expenditures for certain projects which were reimbursed or money was loaned to the Village by the Ohio Public Works Commission (OPWC) and Cuyahoga County. However, the amounts represented valid expenditures of the Village and should have been off-set by intergovernmental receipts and other financing sources;
- In the Agency Funds, JEDD income taxes and miscellaneous receipts were reported as non-operating receipts, rather than operating receipts, resulting in an understatement of operating receipts by \$778,691 and an understatement of non-operating receipts by the same amount. Additionally, other operating disbursements and an overstatement by \$898,420 and JEDD disbursements were understated by the same amount; and
- In the Village's Budgetary Activity Note, Budgeted Receipts in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds were overstated/(understated) by (\$90,982), \$62,672, (\$340,000), and (\$556,749), respectively. Actual Receipts in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds were overstated/(understated) by (\$1,044,558), (\$244,707), \$79,185, and (\$620,220) respectively. Appropriation Authority in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects was overstated/(understated) by (\$423,771), (\$97,949), \$55,835, and (\$1,246,482), respectively. Budgetary disbursements in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds were overstated/(understated) by (\$1,435,664), (\$80,526), \$60,210, and (\$1,771,331), respectively. All of these errors were due to information from another period being presented.

The following immaterial errors to the Village's financial reports were also identified for the year ended December 31, 2019 and adjusted by the Village's management:

- General Fund property tax receipts were misposted to the Special Revenue Funds. As a result, property tax receipts and the ending cash balance were understated by \$41,487 in the General Fund, with corresponding overstatements in the Special Revenue Funds;
- Special Revenue Fund intergovernmental receipts, were misposted to the General Fund. As a result, intergovernmental receipts and the ending cash balance were understated by \$3,536 in the Special Revenue Funds, with corresponding overstatements in the General Fund;

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

**FINDING NUMBER 2019-001
(Continued)**

Financial Reporting – Material Weakness (Continued)

- Capital Projects Fund capital outlay disbursements were misposted as principal payments in the Debt Service Fund. As result, capital outlay disbursements in the Capital Projects Funds were understated by \$3,965 and ending cash balance was overstated by the same amount. In the Debt Service Funds, principal disbursement were overstated by \$3,965 and ending cash balance was understated by the same amount; and,
- Assigned fund balance in the General Fund was understated by \$35,664 with a corresponding overstatement to unassigned fund balance for the same amount. The reason for the error is due to the Village not classifying outstanding encumbrances at year-end as assigned fund balance.

The following errors to the Village’s financial reports were identified for the year ended December 31, 2018 and adjusted by the Village’s management:

- Capital Projects Fund intergovernmental receipts from the Northeast Ohio Regional Sewer District, totaling \$131,673, were misposted as miscellaneous receipts;
- In the Agency Funds, JEDD income taxes and miscellaneous receipts were reported as non-operating receipts, rather than operating receipts, resulting in an understatement of operating receipts by \$756,151 and an overstatement non-operating receipts by the same amount. Additionally, other operating disbursements were overstated by \$667,999 and JEDD disbursements were understated by the same amount; and
- In the Village’s Budgetary Activity Note, Budgeted Receipts in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds were overstated/(understated) by (\$106,815), (\$90,353), (\$446,446), and (\$333,167), respectively. Actual Receipts in the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds were overstated/(understated) by \$276,564, (\$167,878), \$6,574, and \$46,975, respectively. Appropriation Authority in the General Fund, Special Revenue Funds, and Capital Projects Funds was overstated/(understated) by \$14,505, (\$7,372), and (\$500), respectively. Budgetary disbursements in the General Fund, Special Revenue Funds, and Capital Projects Funds were overstated/(understated) by (\$906,569), (\$22,256), and (\$147,725), respectively. All of these errors were due to information from another period being presented.

The following immaterial errors to the Village’s financial reports were also identified for the year ended December 31, 2018 and adjusted by the Village’s management:

- Special Revenue Fund intergovernmental receipts, were misposted to the General Fund. As a result, intergovernmental receipts and ending cash balance were understated in the Special Revenue Funds by \$2,105, with corresponding overstatements in the General Fund by the same amount.
- Assigned fund balance in the General Fund was understated by \$131,683 with a corresponding overstatement to unassigned fund balance for the same amount. The reason for the error is due to the Village not classifying fund balance for subsequent year appropriations in excess of estimated receipts as assigned fund balance, and also not classifying outstanding encumbrances at year-end as assigned fund balance.

These reporting errors resulted in mispostings that required the Village to make adjustments to their financial reports and accounting records as needed.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

**FINDING NUMBER 2019-001
(Continued)**

Financial Reporting – Material Weakness (Continued)

The Village's management should review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and ensure more accurate financial reporting.

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

FINDING NUMBER 2019-002

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 Village'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 Village'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.

Additionally, government entities may not make expenditures of public monies unless they are for a valid public purpose. 1982 Op. Att'y Gen. No. 82-006, addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides guidance as to what may construed as a public purpose. There are two criteria that demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants. Second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

Of the 86 non-payroll disbursements and credit card transactions 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:

- Thirty-nine transactions, totaling \$635,700, did not have purchase orders prior to incurring the cost;
- Five transactions, totaling \$128, did not have any receipt or support documentation;
- Two transactions, totaling \$44, did not have a detailed, itemized receipt; only a summary receipt was provided;
- Eleven transactions, totaling \$287, did not have a clear proper public purpose, which included several instances of local meals purchased without a reason documented and missing, detailed itemized receipts;

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

**FINDING NUMBER 2019-002
(Continued)**

**Credit Card Policy and Purchasing Controls – Noncompliance and Significant Deficiency
(Continued)**

- Two transactions, totaling \$1,138, did not have prior approval of their department supervisor;
- Three transactions, totaling \$110, included two individual meals indicating that an expense was incurred for someone other than the entitled card holder; and
- One transaction, totaling \$141, was for travel and a Request for Travel Expense form as required by the Village's purchasing card policy and procedure manual was not completed prior to the transaction being made.

While in violation of the Village's policy, the charges were reviewed with no instances of clearly 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. Management should evaluate the necessity of the number of employees with access to credit cards. Finally, transactions should clearly document they represent a proper public purpose of the Village.

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

FINDING NUMBER 2019-003

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, 2019 and 2018 bank reconciliations:

- On the December 31, 2019 and 2018 Mayor's Court bank reconciliations, there were unreconciled bank over book variances of \$304 and \$195, respectively. Management indicated these variances may related to prior unrecorded activities. However, the specific transactions comprising these variances have yet to be identified and adjusted to the accounting records;

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-003
(Continued)

Cash Reconciliations – Significant Deficiency (Continued)

- While a separate Mayor's Court reconciliation is performed, the Mayor's Court accounts are also included on the Village's general accounts reconciliation. The Village's general accounts reconciliations used a different bank statement amount than the amount on the bank statement 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;
- On both year-end reconciliations, \$81 was recorded as an outstanding credit for income taxes recorded in the accounting system, but could not be traced to the bank statements. The exact nature of the items was unknown and had been carried forward on the reconciliation for several years. In May 2020, the Village adjusted the item out of their accounting system and removed the item as outstanding from their reconciliation;
- On the December 31, 2019 and 2018, non-sufficient checks were listed in the amounts of \$1,508 and \$1,467, respectively. While the Village kept track of the amounts of each check, the check dates, check numbers, and vendors were not listed, and there was no supporting documentation, such as the bank statement or returned checks from the bank, maintained to support the reconciling amounts. The Village indicated they believed some checks went back as far as 2015;
- On both year-end reconciliations, \$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; and
- On both year-end reconciliations, \$1,838 was recorded as outstanding credits for fraudulent credit card charges. The Village disputed the charges with the credit card company, but has not been reimbursed and the situation has not been totally resolved as of yet. The Village should follow-up with the bank to determine if any charges will be reimbursed to the Village, and if not, the amounts should be written off of the bank to book reconciliations.

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 Village should determine the reason for the bank to book variances on the Mayor's Court reconciliations and the general accounts reconciliation. The Village should include sufficient detail on the reconciliations to specific items comprising each amount and retain other supporting documentation, if necessary. Variances should be promptly investigated, documented, and corrected. Additionally, Council or the Mayor should review the monthly bank reconciliations and the supporting documentation (fund balance report, bank statements, detailed support for reconciling items), and sign or initial the reconciliations as evidence of their review. If Council or the Mayor have questions about the reconciliation, they should seek explanations from the Fiscal Officer.

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



Village of Walton Hills
7595 Walton Road • Walton Hills Ohio, 44146
Angela Revay, Fiscal Officer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Credit Card Policy and Purchasing Controls - Noncompliance and Significant Deficiency: Various deficiencies were noted relating to the Village not following established policies or procedures and/or were not consistent with management's responsibility to achieve an effective internal control environment.	Not Corrected	Re-Issued as Finding 2019-002
2017-002	Cash Reconciliations - Significant Deficiency: The Village had an identified variance on the year-end bank reconciliation.	Not Corrected	Re-Issued as Finding 2019-003

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 4/14/2022

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