



**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004**



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY

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**Auditor of State  
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 11, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Walton Hills, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and December 31, 2004, or its changes in financial position for the years then ended.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Walton Hills, Cuyahoga County, Ohio, as of December 31, 2005 and December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

December 11, 2006

VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$14,553	\$52,104	\$0	\$0	\$0	\$66,657
Income Tax	4,351,992	0	0	0	0	4,351,992
Special Assessments	0	0	3,938	0	0	3,938
Intergovernmental Receipts	174,745	259,326	0	334,530	0	768,601
Charges for Services	40,487	250	0	8,709	0	49,446
Fines, Licenses, and Permits	226,731	14,613	0	0	0	241,344
Earnings on Investments	266,084	3,010	2,274	0	0	271,368
Miscellaneous	13,919	475	0	0	34,550	48,944
<b>Total Cash Receipts</b>	<b>5,088,511</b>	<b>329,778</b>	<b>6,212</b>	<b>343,239</b>	<b>34,550</b>	<b>5,802,290</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,882,167	149,053	0	0	0	2,031,220
Public Health Services	11,407	0	0	0	0	11,407
Leisure Time Activities	204,521	0	0	0	0	204,521
Community Environment	153,739	0	0	0	17,602	171,341
Basic Utility Services	440,301	0	0	0	0	440,301
Transportation	931,285	54,329	0	0	0	985,614
General Government	847,981	2,050	432	0	0	850,463
Debt Service:						
Interest Payments	0	0	1,752	0	0	1,752
Capital Outlay	3,239	83,475	0	846,923	0	933,637
<b>Total Cash Disbursements</b>	<b>4,474,640</b>	<b>288,907</b>	<b>2,184</b>	<b>846,923</b>	<b>17,602</b>	<b>5,630,256</b>
Total Receipts Over/(Under) Disbursements	613,871	40,871	4,028	(503,684)	16,948	172,034
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In	0	100,000	0	200,000	0	300,000
Transfers-Out	(300,000)	0	0	0	0	(300,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(300,000)</b>	<b>100,000</b>	<b>0</b>	<b>200,000</b>	<b>0</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	313,871	140,871	4,028	(303,684)	16,948	172,034
Fund Cash Balances, January 1, 2005	4,047,552	480,204	116,103	5,511,454	146,862	10,302,175
<b>Fund Cash Balances, December 31, 2005</b>	<b><u>\$4,361,423</u></b>	<b><u>\$621,075</u></b>	<b><u>\$120,131</u></b>	<b><u>\$5,207,770</u></b>	<b><u>\$163,810</u></b>	<b><u>\$10,474,209</u></b>
Reserves for Encumbrances, December 31, 2005	<u>\$102,269</u>	<u>\$155,051</u>	<u>\$0</u>	<u>\$1,221,093</u>	<u>\$0</u>	<u>\$1,478,413</u>

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

VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Agency</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$235,415</u>
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>235,688</u>
Net Receipts (Under) Disbursements	(273)
Fund Cash Balances, January 1, 2005	<u>16,123</u>
<b>Fund Cash Balances, December 31, 2005</b>	<b><u><u>\$15,850</u></u></b>

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

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$15,439	\$53,041	\$0	\$0	\$0	\$68,480
Income Tax	4,153,853	0	0	0	0	4,153,853
Special Assessments	0	0	92,543	0	0	92,543
Intergovernmental Receipts	272,852	237,582	0	254,290	0	764,724
Charges for Services	43,025	540	0	11,612	0	55,177
Fines, Licenses, and Permits	195,079	7,147	0	330	0	202,556
Earnings on Investments	124,938	1,253	12,194	0	0	138,385
Miscellaneous	51,966	0	0	0	50,900	102,866
<b>Total Cash Receipts</b>	<u>4,857,152</u>	<u>299,563</u>	<u>104,737</u>	<u>266,232</u>	<u>50,900</u>	<u>5,578,584</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	1,965,414	147,174	0	0	0	2,112,588
Public Health Services	10,398	0	0	0	0	10,398
Leisure Time Activities	182,178	0	0	0	0	182,178
Community Environment	99,901	0	0	0	64,263	164,164
Basic Utility Services	419,563	7,264	0	0	0	426,827
Transportation	898,793	22,102	0	0	0	920,895
General Government	802,229	0	484	0	0	802,713
Debt Service:						
Principal Payments	0	0	2,300,000	0	0	2,300,000
Interest Payments	0	0	31,128	0	0	31,128
Capital Outlay	6,344	88,394	0	1,393,490	0	1,488,228
<b>Total Cash Disbursements</b>	<u>4,384,820</u>	<u>264,934</u>	<u>2,331,612</u>	<u>1,393,490</u>	<u>64,263</u>	<u>8,439,119</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>472,332</u>	<u>34,629</u>	<u>(2,226,875)</u>	<u>(1,127,258)</u>	<u>(13,363)</u>	<u>(2,860,535)</u>
<b>Other Financing Receipts and (Disbursements):</b>						
Sale of Fixed Assets	20,235	0	0	0	0	20,235
Transfers-In	0	92,800	0	0	0	92,800
Transfers-Out	(92,800)	0	0	0	0	(92,800)
Advance In	35,000	0	0	0	0	35,000
Advance Out	0	(35,000)	0	0	0	(35,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(37,565)</u>	<u>57,800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,235</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>434,767</u>	<u>92,429</u>	<u>(2,226,875)</u>	<u>(1,127,258)</u>	<u>(13,363)</u>	<u>(2,840,300)</u>
<b>Fund Cash Balances, January 1, 2004</b>	<u>3,612,785</u>	<u>387,775</u>	<u>2,342,978</u>	<u>6,638,712</u>	<u>160,225</u>	<u>13,142,475</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u><b>\$4,047,552</b></u>	<u><b>\$480,204</b></u>	<u><b>\$116,103</b></u>	<u><b>\$5,511,454</b></u>	<u><b>\$146,862</b></u>	<u><b>\$10,302,175</b></u>
<b>Reserves for Encumbrances, December 31, 2004</b>	<u><b>\$106,660</b></u>	<u><b>\$127,174</b></u>	<u><b>\$0</b></u>	<u><b>\$318,504</b></u>	<u><b>\$0</b></u>	<u><b>\$552,338</b></u>

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

VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Agency</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$235,992</u>
<b>Operating Cash Disbursements:</b>	
Contractual Services	<u>229,911</u>
Net Receipts Over Disbursements	6,081
Fund Cash Balances, January 1, 2004	<u>10,042</u>
<b>Fund Cash Balances, December 31, 2004</b>	<u><b>\$16,123</b></u>

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

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Walton Hills, Cuyahoga County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides police protection, recreation services, rubbish collection, zoning, road maintenance, and animal control. The Village contracts with City of Maple Heights and the Village of Oakwood for fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

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

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

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

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

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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

**3. Debt Service Fund**

This fund accounts for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement – This fund receives special assessment collections that are used to retire debt for the Dunham Road project.

**4. Capital Project Funds**

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

Issue II Capital Projects- This fund is used to account for Issue II capital projects monies.

Capital Improvement Fund- This fund is used to account for all capital projects except Issue II projects.

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

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant Fiduciary Funds:

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

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

**E. Budgetary Process**

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



**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

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

**E. Budgetary Process (Continued)**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level for the general fund and fund level for all other funds, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. 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.

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

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$919,503	\$974,764
Total deposits	<u>919,503</u>	<u>974,764</u>
U.S. Treasury Notes	6,000,000	2,062,500
STAR Ohio	3,570,556	7,281,034
Total investments	<u>9,570,556</u>	<u>9,343,534</u>
Total deposits and investments	<u>\$10,490,059</u>	<u>\$10,318,298</u>

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,032,988	\$5,088,511	\$55,523
Special Revenue	370,890	429,778	58,888
Debt Service	500	6,212	5,712
Capital Projects	781,000	543,239	(237,761)
Expendable Trust	55,000	34,550	(20,450)
Total	\$6,240,378	\$6,102,290	(\$138,088)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,330,532	\$4,876,909	\$453,623
Special Revenue	514,434	443,958	70,476
Debt Service	2,750	2,184	566
Capital Projects	2,207,254	2,068,016	139,238
Expendable Trust	200,000	17,602	182,398
Total	\$8,254,970	\$7,408,669	\$846,301

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,855,655	\$4,877,387	\$21,732
Special Revenue	382,085	392,363	10,278
Debt Service	98,100	104,737	6,637
Capital Projects	620,000	266,232	(353,768)
Expendable Trust	72,000	50,900	(21,100)
Total	\$6,027,840	\$5,691,619	(\$336,221)

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,868,754	\$4,584,280	\$284,474
Special Revenue	443,038	392,108	50,930
Debt Service	2,351,750	2,331,612	20,138
Capital Projects	2,638,600	1,711,994	926,606
Expendable Trust	85,000	64,263	20,737
Total	\$10,387,142	\$9,084,257	\$1,302,885

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**5. LOCAL INCOME TAX**

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

**6. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principle</u>	<u>Interest Rate</u>
OPWC Loan – Dunham Road Project	\$258,567	2%

The Ohio Public Works Commission (OPWC) loan relates to the Dunham Road water main rehabilitation project entered into in 2005. The OPWC approved \$258,567 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,874, including interest, over 20 years. The loan is collateralized by the Village's taxing authority.

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

<u>Year ending December 31,</u>	<u>OPWC Loan</u>
2006	\$ 15,749
2007	15,750
2008	15,750
2009	15,750
2010-2014	78,748
2015-2019	78,748
2020-2024	78,748
2025	15,750
Total	<u>\$ 314,993</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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

**9. CONTINGENT LIABILITIES**

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 the financial statements of the Village of Walton Hills, Cuyahoga County, Ohio, (the Village) as of and for the years ended December 31, 2005 and December 31, 2004, and have issued our report thereon dated December 11, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated December 11, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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*. In a separate letter to the Village's management dated December 11, 2006, we reported another matter related to noncompliance we deemed immaterial.

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Village of Walton Hills  
Cuyahoga County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

December 11, 2006

**VILLAGE OF WALTON HILLS  
CUYAHOGA COUNTY  
DECEMBER 31, 2005 AND DECEMBER 31, 2004**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2003-001	In May 2002, the Village issued a general obligation bond anticipation note for \$2,300,000 but did not notify the county auditor that a note had been sold as required by Ohio Rev. Code § 133.22(B). Once notified, the county auditor would have issued an amended certificate of estimated resources.	Yes	
2003-002	Several fund/function had expenditures plus encumbrances in excess of appropriations contrary to Ohio Rev. Code § 5705.41(B)(D).	Yes	
2003-003	<p>The Village operates a Mayor's Court which includes collecting and disbursing Court funds. However, Court activity was not being posted to the Village's financial statements.</p> <p>Also, a building bond deposit for \$21,000 was deposited in separate bank account and not posted to the Village's financial statements.</p>	Partially	<p>Financial statements prepared by the Village included the Mayor's Court activity. However, the activity is not posted to the accounting system on a regular basis. Therefore, a management letter comment was issued addressing this fact.</p> <p>The building bond deposit was corrected.</p>







**Auditor of State  
Betty Montgomery**

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**VILLAGE OF WALTON HILLS**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 16, 2007**