



Mary Taylor, CPA
Auditor of State

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY
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Mary Taylor, CPA
Auditor of State

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

To Members of 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 an 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 adverse 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.

Mary Taylor

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Auditor of State

October 20, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To Members of 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, 2007 and December 31, 2006. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

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, 2007 and December 31, 2006 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, 2007 and December 31, 2006, or its changes in financial position for the year 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, 2007 and December 31, 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 11 to the financial statements, the Village restated the January 1, 2006 fund balances for the Expendable Trust and Agency Funds.

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 October 20, 2008, 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.



Mary Taylor, CPA
Auditor of State

October 20, 2008

VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$17,133	\$62,780	\$0	\$0	\$79,913
Income Tax	4,391,223	0	0	0	4,391,223
Intergovernmental Receipts	133,158	283,114	0	0	416,272
Charges for Services	88,843	100	0	8,709	97,652
Fines, Licenses, and Permits	208,615	8,310	0	0	216,925
Earnings on Investments	0	5,593	0	412,440	418,033
Miscellaneous	29,748	0	0	10,150	39,898
Total Cash Receipts	<u>4,868,720</u>	<u>359,897</u>	<u>0</u>	<u>431,299</u>	<u>5,659,916</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	2,198,740	194,301	0	0	2,393,041
Public Health Services	10,405	0	0	0	10,405
Leisure Time Activities	307,069	0	0	0	307,069
Community Environment	99,371	0	0	0	99,371
Basic Utility Services	395,314	6,781	0	0	402,095
Transportation	247,376	750,386	0	0	997,762
General Government	756,909	3,549	0	0	760,458
Debt Service:					
Principal Payments	0	0	10,953	0	10,953
Interest Payments	0	0	4,796	0	4,796
Capital Outlay	5,000	110,984	0	408,955	524,939
Total Cash Disbursements	<u>4,020,184</u>	<u>1,066,001</u>	<u>15,749</u>	<u>408,955</u>	<u>5,510,889</u>
Total Receipts Over/(Under) Disbursements	<u>848,536</u>	<u>(706,104)</u>	<u>(15,749)</u>	<u>22,344</u>	<u>149,027</u>
Other Financing Receipts and (Disbursements):					
Debt Proceeds	0	0	0	160,494	160,494
Sale of Fixed Assets	10,254	0	0	0	10,254
Transfers-In	0	597,994	0	26,000	623,994
Transfers-Out	(623,994)	0	0	0	(623,994)
Total Other Financing Receipts/(Disbursements)	<u>(613,740)</u>	<u>597,994</u>	<u>0</u>	<u>186,494</u>	<u>170,748</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>234,796</u>	<u>(108,110)</u>	<u>(15,749)</u>	<u>208,838</u>	<u>319,775</u>
Fund Cash Balances, January 1, 2007	<u>4,930,474</u>	<u>771,878</u>	<u>98,793</u>	<u>3,379,187</u>	<u>9,180,332</u>
Fund Cash Balances, December 31, 2007	<u>\$5,165,270</u>	<u>\$663,768</u>	<u>\$83,044</u>	<u>\$3,588,025</u>	<u>\$9,500,107</u>
Reserves for Encumbrances, December 31, 2007	<u>\$171,835</u>	<u>\$97,951</u>	<u>\$0</u>	<u>\$1,003,485</u>	<u>\$1,273,271</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, 2007

	<u>Agency</u>
Operating Cash Receipts:	
Charges for Services	<u>\$303,667</u>
Operating Cash Disbursements:	
Contractual Services	<u>336,422</u>
Net Receipts (Under) Disbursements	(32,755)
Fund Cash Balances, January 1, 2007	<u>180,867</u>
Fund Cash Balances, December 31, 2007	<u><u>\$148,112</u></u>

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$15,007	\$57,199	\$0	\$0	\$72,206
Income Tax	4,519,172	0	0	0	4,519,172
Intergovernmental Receipts	168,492	280,092	0	111,037	559,621
Charges for Services	64,558	200	0	14,514	79,272
Fines, Licenses, and Permits	282,831	10,177	0	0	293,008
Earnings on Investments	454,540	9,576	2,348	0	466,464
Miscellaneous	19,012	0	0	253	19,265
	<u>5,523,612</u>	<u>357,244</u>	<u>2,348</u>	<u>125,804</u>	<u>6,009,008</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	2,077,817	229,762	0	0	2,307,579
Public Health Services	11,483	0	0	0	11,483
Leisure Time Activities	252,555	0	0	0	252,555
Community Environment	135,843	0	0	0	135,843
Basic Utility Services	296,236	6,583	0	0	302,819
Transportation	906,470	19,043	0	0	925,513
General Government	902,403	5,889	61	0	908,353
Debt Service:					
Principal Payments	0	0	16,027	0	16,027
Interest Payments	0	0	7,598	0	7,598
Capital Outlay	0	125,164	0	2,154,387	2,279,551
	<u>4,582,807</u>	<u>386,441</u>	<u>23,686</u>	<u>2,154,387</u>	<u>7,147,321</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>940,805</u>	<u>(29,197)</u>	<u>(21,338)</u>	<u>(2,028,583)</u>	<u>(1,138,313)</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	8,246	0	0	0	8,246
Transfers-In	0	180,000	0	200,000	380,000
Transfers-Out	(380,000)	0	0	0	(380,000)
	<u>(371,754)</u>	<u>180,000</u>	<u>0</u>	<u>200,000</u>	<u>8,246</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	569,051	150,803	(21,338)	(1,828,583)	(1,130,067)
Fund Cash Balances, January 1, 2006	<u>4,361,423</u>	<u>621,075</u>	<u>120,131</u>	<u>5,207,770</u>	<u>10,310,399</u>
Fund Cash Balances, December 31, 2006	<u>\$4,930,474</u>	<u>\$771,878</u>	<u>\$98,793</u>	<u>\$3,379,187</u>	<u>\$9,180,332</u>
Reserves for Encumbrances, December 31, 2006	<u>\$182,165</u>	<u>\$38,966</u>	<u>\$0</u>	<u>\$239,556</u>	<u>\$460,687</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, 2006

	<u>Agency</u>
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	<u>\$326,388</u>
Non-Operating Cash Disbursements:	
Other Non-Operating Cash Disbursements	<u>325,181</u>
Net Receipts Over Disbursements	1,207
Fund Cash Balances, January 1, 2006, (Restated See Note 11)	<u>179,660</u>
Fund Cash Balances, December 31, 2006	<u><u>\$180,867</u></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, 2007 AND 2006
(Continued)**

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 and Certificates of Deposits 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:

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

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

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

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, note and loan debt.

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

Fiduciary funds include private purpose trust funds and agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for activities of the Village Mayor's Court and contractor's performance bonds.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. The Village does not budget for activity in the Mayor's Court.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department, personal services, and other, 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 2007 and 2006 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.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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:

	2007	2006
Demand deposits	\$858,371	\$2,378,456
Total deposits	858,371	2,378,456
Investments		
U.S. Treasury Notes	0	3,000,000
Certificates of Deposit	6,000,000	3,000,000
STAR Ohio	2,789,848	982,743
Total investments	8,789,848	6,982,743
Total deposits and investments	\$9,648,219	\$9,361,199

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, 2007 and December 31, 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,431,079	\$4,878,974	(\$552,105)
Special Revenue	904,037	957,891	53,854
Debt Service	1,000	0	(1,000)
Capital Projects	11,625	617,793	606,168
Agency	30,000	26,378	(3,622)
Total	\$6,377,741	\$6,481,036	\$103,295

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,382,028	\$4,816,013	\$566,015
Special Revenue	1,304,948	1,163,952	140,996
Debt Service	15,750	15,749	1
Capital Projects	1,792,820	1,412,440	380,380
Agency	90,000	64,816	25,184
Total	\$8,585,546	\$7,472,970	\$1,112,576

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,033,259	\$5,531,858	\$498,599
Special Revenue	404,833	537,244	132,411
Debt Service	800	2,348	1,548
Capital Projects	201,000	325,804	124,804
Agency	50,000	31,600	(18,400)
Total	\$5,689,892	\$6,428,854	\$738,962

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,594,584	\$5,144,972	\$449,612
Special Revenue	664,204	425,407	238,797
Debt Service	23,900	23,686	214
Capital Projects	2,576,662	2,393,942	182,720
Agency	185,000	25,300	159,700
Total	\$9,044,350	\$8,013,307	\$1,031,043

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. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on 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 Village 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. On December 1, 2006, the Village began collecting income taxes directly. Prior to December 6, 2006, the income tax was collected by Regional Income Tax Agency (RITA) and remitted to the Village semi-annually.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan – Dunham Road Project	\$237,091	2%

The Ohio Public Works Commission (OPWC) loan relates to the Dunham Road water main rehabilitation project entered into in 2005 at an interest rate of 2%. The OPWC approved \$258,567 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,875, including interest, over 20 years. The loan is collateralized by the Village's taxing authority.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31,</u>	<u>OPWC Loan</u>
2008	\$ 15,750
2009	15,750
2010	15,750
2011	15,750
2012	15,750
2013-2017	78,748
2018-2022	78,748
2023-2025	39,373
Total	<u><u>\$ 275,619</u></u>

The Village is obligated to record certain leases as capital leases. The capital assets acquired under the capital lease category amounted to \$160,494 which included a dump truck, bus, and copier. The following is a schedule by years of the future minimum lease payments for capital leases together, with the present value of the net minimum lease payments as of December 31, 2007:

Minimum lease payments	\$179,053
Less: amount representing interest	(<u>\$18,559</u>)
Present value of net minimum lease payments	<u>\$160,494</u>

<u>Year ending December 31,</u>	<u>Capital Lease</u>
2008	\$35,811
2009	35,811
2010	35,811
2011	35,811
2012	35,811
Total	<u><u>\$179,055</u></u>

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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 2007 and 2006, 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 9.0 and 9.5 percent for the years 2006 and 2007 respectively. The Village contributed an amount equal to 13.7 and 13.85 percent for the years 2006 and 2007 respectively. The Village has paid all contributions required through December 31, 2007.

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.

10. SUBSEQUENT EVENTS

During 2008, the Village obtained the final loan proceeds from the Ohio Public Works Commission relating to the Dunham Road Improvement Project. The loan amount of \$143,914 will be repaid over 20 years at a zero percent interest rate. The semiannual payments of \$3,597 will commence in July 2008.

11. RESTATEMENT OF FUND BALANCE

During 2006, the Village reclassified its monies from contractor's bond retainer fees, rental deposits and senior lawn care service deposits reported in the Expendable Trust Fund to the Agency Fund. This had the following effect on fund balance as previously reported:

	<u>Expendable Trust Fund</u>	<u>Agency Fund</u>
Fund balance as of January 1, 2006	\$163,810	\$15,850
Reclassification	(163,810)	163,810
Adjusted fund balance as of January 1, 2006	<u>\$0</u>	<u>\$179,660</u>

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Mary Taylor, CPA

Auditor of State

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 Members of 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, 2007 and December 31, 2006, and have issued our report thereon dated October 20, 2008, 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 the Village restated the January 1, 2006 fund balances for the Expendable Trust Fund and the Agency Fund. In addition, we noted 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. 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 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*.

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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

Internal Control Over Financial Reporting (Continued)

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe findings number 2007-001 and 2007-002 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated October 20, 2008.

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*.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated October 20, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 20, 2008

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness - Reporting Mayor's Court Activity in an Agency Fund in the Village's Financial Statements

The Village operates a Mayor's Court and all activity related to Court operations are recorded by Court personnel in ledgers that are separate from the Village's general ledger. This activity: receipts, disbursements and fund balance are not reported in the Village's general ledger and financial statements. The only activity recorded in the Village's general ledger is their distribution of the fines collected each month. As a result, for 2006, the beginning balance \$15,882, receipts \$294,807, disbursements \$299,982 and ending fund balance \$10,707 were not reported in an Agency Fund in the Village's accounting records and financial statements. For 2007, the beginning balance \$10,707, receipts \$277,340, disbursements \$271,606 and ending fund balance \$16,441 were not reported in an Agency Fund in the Village's accounting records and financial statements resulting in an understatement of the Agency Fund balances.

The Village's accounting records and the accompanying financial statements have been adjusted to include all Court activity in an Agency Fund.

We recommend that all receipts, disbursements and fund balances from Mayor's Court activity be reported in an Agency Fund in the Village's financial statements.

Village's Response

We agree with the recommendation and will correct it in the future.

FINDING NUMBER 2007-002

Material Weakness - Reporting Various Deposits in an Agency Fund in the Village's Financial Statements

The Village receives various monies from contractor's bond retainer fees, rental deposits and senior lawn care service deposits. Prior to 2006, these monies were recorded in an Expendable Trust Fund. In October 2005, the Auditor of State issued Bulletin 2005-005, which reclassified certain fiduciary funds. When implementing this Bulletin, the Village reclassified the Expendable Trust Fund – Fiduciary Fund Type balance to the Capital Improvement Fund – Capital Projects Fund Type. Then, the fund was reevaluated and it was determined it should be reported in the Bond Construction Fund – Capital Projects Fund Type and a transfer for \$163,760 was made moving the fund balance. After the transfer was made, all receipts and disbursements from these activities were recorded in the Bond Construction Fund. Since the Village is the custodian of these monies they are required to be reported in an Agency Fund.

As a result, for 2006, the beginning fund balance \$163,760 was reclassified from the Expendable Trust Fund to the Agency Fund and fund balance was restated, the transfer was eliminated and the receipts \$31,600 and disbursements \$25,300 were reclassified from the Bond Construction Fund to the Agency Fund. For 2007, the beginning balance \$170,060, receipts \$26,378, disbursements \$64,816 and the ending fund balance \$131,622 have been reclassified from the Bond Construction Fund to the Agency Fund.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-002 (Continued)

The Village's accounting records and the accompanying financial statements have been adjusted to reflect these changes.

We recommend that activity from the contractor's bond retainer fees, rental deposits and senior lawn care service deposits be recorded in an Agency Fund.

Village's Response

We agree with the recommendation and will correct it in the future.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 24, 2008**