

Village of Walton Hills, Ohio

Bond Anticipation Notes, Series 2025

Please find herein a report prepared by the Ohio Municipal Advisory Council (OMAC) as well as the Village of Walton Hills, Ohio's most recent audited financial statement. These items are informational and do not constitute a disclosure document. If you would like more information, please contact Michelle Hillstrom at Stifel or Nickol Sell at the Village.



Ohio Municipal Advisory Council

Not an agency of the State of Ohio

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WALTON HILLS VILLAGE, OHIO

(Cuyahoga County)

Federal Identification Number - 34-6004128

Revised Report No. N131-25

Date – October 29, 2025

OMAC Fee: \$428.75

Rating: No Rating

\$1,655,000

Various Purpose (general obligation limited tax)

Dated November 12, 2025

Bond Anticipation Notes, Series 2025

Due November 12, 2026

Coupon: _____

Yield: _____

Price: _____

Fiscal Officer

Nickol Sell, Fiscal Officer
7595 Walton Road
Walton Hills, Ohio 44146

Telephone No.

440-232-7800

Purchaser – Stifel, Nicolaus & Company, Inc.

Opinion – Bricker Graydon LLP

Attorney – Catherine Swartz

Paying Agent – Argent Institutional Trust Company

Municipal Advisor - MAS Financial Advisory Services LLC
(Matthew Stuczynski)

Denominations - Minimum \$100,000 with \$5,000 thereafter.

Book Entry - Yes.

Bank Qualified - Yes.

Purpose - The Notes are being issued to retire, with cash on hand, Notes maturing on 11/13/25. Notes were originally issued for street improvements, acquisition of vehicles and for the acquisition and renovation of a building and road improvements for the Dunham Road reconstruction project.

Security – Payable from general limited taxes.

LOCATION About 13 miles southeast of downtown Cleveland.

Area 7 sq. miles.

Transportation Conrail RR, IH 271 and SR 8.

Characteristics Residential, industrial and commercial.

SALARIES, BILLS & DEBT SERVICE

Believed current with no record of deficit financing or default in current expenses or debt service.

POPULATION MUNICIPAL INCOME TAX *

2023 Estimated* -	2,083
2010 Census* -	2,281
2000 Census* -	2,400

<u>Year</u>	<u>Rate</u>	<u>Receipts</u>
2022	2.50%	\$ 4,565,749
2021	2.50%	3,960,569
2020	2.50%	3,901,002

Source: * U.S. Census Bureau

* Source: Annual Financial Report

Information in this Report has been obtained by OMAC from official and other sources and is believed by OMAC to be accurate and reliable. However, OMAC has not independently confirmed or verified the information in this Report and OMAC does not guaranty the accuracy or completeness of such information. This Report does not constitute an offering of, or a recommendation with regard to the purchase of, any security.

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Age Breakdown of Population					GENERAL FUND * ###			
Year	<u>Under</u> <u>18</u>	<u>18 To</u> <u>64</u>	<u>65 &</u> <u>Over</u>	<u>Median</u> <u>Age</u>	Year Ending	2022^	2021	2020
2023*					Beg. Bal 1/1	\$ 1,896,794 #	\$ 1,213,248	\$ 777,448
National	22.2 %	61.0 %	16.8 %	38.7	Receipts	6,260,187	5,983,937	5,665,849
State	22.2 %	59.9 %	17.9 %	39.6	Other Fin Srcs	12,847	2,209	6,261
Subdivision	7.4 %	63.9 %	28.7 %	61.3	Transfers In	0	0	0
2022*					Expenditures	4,351,499	4,311,848	4,100,010
National	22.1 %	61.4 %	16.5 %	38.5	Transfers Out	986,899	856,785	1,136,300
State	22.0 %	60.4 %	17.6 %	39.6	End Bal. 12/31	2,831,430	2,030,761	1,213,248
Subdivision	10.0 %	63.5 %	26.5 %	60.3				
2021*					# Adjusted			
National	22.5 %	61.5 %	16.0 %	38.4	* Cash			
State	22.3 %	60.7 %	17.0 %	39.4	### 2024 data will be provided as soon as received			
Subdivision	10.7 %	62.3 %	27.0 %	60.5	Source: Annual Financial Report			
2020*					^ Unaudited Year			
National	22.4 %	61.6 %	16.0 %	38.2				
State	22.2 %	60.8 %	17.0 %	39.5				
Subdivision	9.5 %	61.5 %	29.0 %	60.7				
2019*								
National	22.6 %	61.8 %	15.6 %	38.1				
State	22.4 %	60.9 %	16.7 %	39.4				
Subdivision	9.0 %	58.1 %	32.9 %	58.6				
2018*								
National	22.8 %	62.0 %	15.2 %	37.9				
State	22.5 %	61.2 %	16.3 %	39.3				
Subdivision	8.7 %	56.3 %	35.0 %	59.5				
2010								
National	24.0 %	63.0 %	13.0 %	37.2				
State	23.7 %	62.2 %	14.1 %	38.8				
Subdivision	11.2 %	58.0 %	30.8 %	55.4				
2000								
National	25.7 %	61.9 %	12.4 %	35.3				
State	25.4 %	61.3 %	13.3 %	36.2				
Subdivision	17.0 %	56.5 %	26.5 %	48.5				

* U.S. Census Bureau, American Community Survey 5 yr. estimate

HOUSING AND INCOME

2019-2023 American Community Survey Five Year Estimate *

	<u>Subdivision</u>	<u>County</u>	<u>State</u>	<u>National</u>
Total Housing Units	964	615,513	5,271,573	142,332,876
Occupied Housing Units	933	554,173	4,829,571	127,482,865
Owner Occupied (as % of Occupied)	94.3%	59.1%	67.0%	65.0%
Median Value of Owner Occupied Homes Estimate	\$268,000	\$183,200	\$199,200	\$303,400
Total Units Built 1939 or Earlier	2.5%	28.2%	19.2%	12.0%
Total Units Built 2020 or Later	0.0%	0.4%	0.7%	1.0%
Median Family Income Estimate	\$138,438	\$86,863	\$90,288	\$96,922
Median Household Income	\$103,547	\$62,823	\$69,680	\$78,538
Per Capita Income Estimate	\$57,817	\$41,559	\$39,455	\$43,289
Poverty Level (% of all people) **	7.3%	16.2%	13.2%	12.4%

* U.S. Census Bureau

** Percentage of people whose income in the past 12 months has been below the poverty level.

OCCUPATIONAL GROUPS ***Cuyahoga County**

December, 2024	<u>Subdivision</u>	<u>State</u>
Services	50.8 %	44.0 %
Government	13.4 %	13.7 %
Trade	12.6 %	14.4 %
Manufacturing	9.3 %	12.4 %
Finance	6.6 %	5.5 %
Transportation	6.0 %	6.0 %
Construction	3.4 %	4.7 %
Utilities	0.2 %	0.3 %
Mining	N/R	0.2 %
Agriculture	N/R	0.4 %
December, 2023	<u>Subdivision</u>	<u>State</u>
Services	50.4 %	43.7 %
Government	13.1 %	13.6 %
Trade	12.8 %	14.7 %
Manufacturing	9.4 %	12.6 %
Finance	6.9 %	5.7 %
Transportation	6.1 %	6.1 %
Construction	3.3 %	4.4 %
Utilities	0.2 %	0.3 %
Mining	N/R	0.2 %
Agriculture	N/R	0.4 %

"N/R" displayed for statistics not reported.

* Ohio Department of Job and Family Services

UNEMPLOYMENT RATE ***Cuyahoga County**

	<u>Subdivision</u>	<u>State</u>	<u>National</u>
July, 2025	5.4 %	5.5 %	4.6 %
July, 2024	4.9 %	4.9 %	4.5 %

* Ohio Department of Job and Family Services

UNEMPLOYMENT CLAIMANTS ***Cuyahoga County**

	<u>Initial Claims</u>	<u>Continued Claims</u>
July, 2025	2,599	24,297
July, 2024	2,734	21,904

* Ohio Department of Job and Family Services

LARGEST TAXPAYERS BY VALUATION*

(2025 Collection Year)

<u>Taxpayer Name</u>	<u>Assessed Valuation</u>
American Transmission System	\$50,084,580
Cleve Elect Illum Co	\$20,230,560
Pagoda Partners LLC	\$3,221,820
Phoenix Walton Hills Industrial Investors LLC	\$2,674,000
NPK Construction Equipment Inc	\$2,647,050
DROF WH #1 LLC	\$2,528,330
DROF WH I LLC	\$2,503,200
Krick Road Realty LLC	\$2,381,505
Areco L P	\$1,921,325
7500 Northfield LLC	\$1,554,770

* County/Appraisal Company

LARGEST TAXPAYERS BY CURRENT TAXES*

(2025 Collection Year)

<u>Taxpayer Name</u>	<u>Current Taxes</u>
American Transmission System	\$5,782,265
Cleve Elect Illum Co	\$2,335,618
Pagoda Partners LLC	\$371,960
Phoenix Walton Hills Industrial Investors LLC	\$308,713
DROF WH #1 LLC	\$291,896
DROF WH I LLC	\$288,994
Krick Road Realty LLC	\$274,945
NPK Construction Equipment Inc	\$267,591
Areco L P	\$221,819
7500 Northfield LLC	\$179,501

* County/Appraisal Company

PROPERTY TAX RATES *

<u>YEAR</u>	<u>TYPE</u>	<u>DEBT</u>	<u>TOTAL</u>	<u>OVERALL</u>	<u>YEAR</u>	<u>TYPE</u>	<u>DEBT</u>	<u>TOTAL</u>	<u>OVERALL</u>
2024-2025	Stated	0.00	3.30	115.45	2023-2024	Stated	0.00	3.30	115.45
	Res/Ag	0.00	3.30	59.95		Res/Ag	0.00	3.30	72.19
	Other	0.00	3.30	80.08		Other	0.00	3.30	85.36
<u>YEAR</u>	<u>TYPE</u>	<u>DEBT</u>	<u>TOTAL</u>	<u>OVERALL</u>	<u>YEAR</u>	<u>TYPE</u>	<u>DEBT</u>	<u>TOTAL</u>	<u>OVERALL</u>
2022-2023	Stated	0.00	3.30	105.15	2021-2022	Stated	0.00	3.30	105.15
	Res/Ag	0.00	3.30	61.82		Res/Ag	0.00	3.30	61.23
	Other	0.00	3.30	75.28		Other	0.00	3.30	75.04

* State Of Ohio

PROPERTY TAX COLLECTIONS *

	<u>Current Charge</u>	<u>Total Collected</u>	<u>Pct. of Current Charge Collected</u>	<u>Total Unpaid</u>	<u>Unpaid of Current</u>
<u>2023-2024</u>					
RE&PU	\$626,848	\$635,656	101%	\$19,937	\$10,832
<u>2022-2023</u>					
RE&PU	\$621,547	\$624,085	100%	\$26,118	\$10,068
SA	\$173,099	\$172,911	100%	\$19,341	\$4,625
<u>2021-2022</u>					
RE&PU	\$617,709	\$626,090	101%	\$31,393	\$15,857
SA	\$176,028	\$170,879	97%	\$18,424	\$11,699
<u>2020-2021</u>					
RE&PU	\$567,554	\$565,409	100%	\$30,582	\$14,287
SA	\$171,822	\$166,929	97%	\$13,698	\$9,234
<u>2019-2020</u>					
RE&PU	\$551,088	\$543,518	99%	\$25,274	\$14,998
SA	\$167,807	\$165,394	99%	\$8,407	\$6,076

* County/Appraisal Company

RE&PU - Real Estate and Public Utility SA - Special Assessment

Previous Percent RE & PU Collected *

<u>Year</u>	<u>Percent</u>	<u>Year</u>	<u>Percent</u>	<u>Year</u>	<u>Percent</u>	<u>Year</u>	<u>Percent</u>
2018-2019	99 %	2013-2014	107 %	2008-2009	99 %	2003-2004	98 %
1998-1999	100 %	2017-2018	100 %	2012-2013	99 %	2007-2008	99 %
2002-2003	95 %	2016-2017	100 %	2011-2012	100 %	2006-2007	101 %
2001-2002	100 %	2015-2016	100 %	2010-2011	99 %	2005-2006	101 %
2000-2001	100 %	2014-2015	101 %	2009-2010	100 %	2004-2005	106 %
1999-2000	101 %						

* County/Appraisal Company

ASSESSED VALUATION *

(Next Reappraisal 2030-2031)

	<u>2024-2025</u>	<u>2023-2024</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021</u>
TOTAL	\$217,064,600	\$189,672,670	\$189,339,940	\$193,347,350	\$171,757,460
Real Estate	142,853,910	119,782,340	121,501,230	126,398,080	107,764,440
Public Utility	74,210,690	69,890,330	67,838,710	66,949,270	63,993,020

* State of Ohio

REAL ESTATE ANALYSIS * - 2024-2025

Residential	\$102,782,280	71.95 %	#	Total Estimated Commercial, Industrial,	
Commercial	21,301,550	14.91		& Public Utility =	\$114,076,860
Industrial	18,564,620	13.00		Percent of Total AV	52.6%
Agricultural	176,870	0.12		Per Capita AV	Subdivision
Mineral	1,260	0.00			\$104,208
Railroad	27,330	0.02			Ohio Villages (##)
TOTAL	\$142,853,910				\$29,627

* State of Ohio

- Represents the average Assessed Value Per Capita for Ohio Villages.

DEBT AS OF 11/13/2025 *

	<u>TOTAL</u>	<u>NET DEBT</u>
General Obligation		
<u>Limited Tax</u>		
Notes	\$1,655,000	\$1,655,000
TOTAL DEBT	\$1,655,000	
TOTAL NET DEBT		\$1,655,000

* OMAC

NET and NET OVERLAPPING DEBT AS OF 11/13/2025 **

(Excluding SS/SA Debt)

	<u>Amount</u>	<u>Per Cap</u>	<u>Pct.of AV</u>
Net	\$1,655,000	\$795	0.76%
Net Overlapping*	\$57,476,961	\$27,593	26.48%

* Includes:

<u>Subdivision</u>	<u>Pct.</u>	<u>Amount</u>
Walton Hills Village	100.00%	\$1,655,000
Counties		\$1,333,756
Cuyahoga County	0.49%	\$1,333,756
City School Districts		\$53,618,382
Bedford City S/D	21.16%	\$53,618,382
Miscellaneous		\$869,824
Cuyahoga Community College Misc	0.49%	\$869,824

** OMAC

ADDITIONAL INFORMATIONDebt Service Fund Balance

January 1, 2023

\$64,552

**COMPARATIVE NET AND NET OVERLAPPING DEBT
AS OF JANUARY 1ST ***

	-----NET DEBT-----					-----NET OVERLAPPING DEBT-----			
2025	\$	1,820,000	(\$	874 /Cap., 0.84 % of AV)	\$	6,345,825	(\$	3,046 /Cap., 2.92 % of AV)	
2024	\$	1,920,000	(\$	922 /Cap., 1.01 % of AV)	\$	7,098,314	(\$	3,408 /Cap., 3.74 % of AV)	
2023	\$	2,000,000	(\$	960 /Cap., 1.06 % of AV)	\$	4,407,273	(\$	2,116 /Cap., 2.33 % of AV)	
2022	\$	2,140,000	(\$	995 /Cap., 1.11 % of AV)	\$	4,751,926	(\$	2,209 /Cap., 2.46 % of AV)	
2021	\$	3,895,000	(\$	1,811 /Cap., 2.27 % of AV)	\$	6,623,110	(\$	3,079 /Cap., 3.86 % of AV)	

* OMAC

DIRECT DEBT LIMITATIONS *

	<u>Total Outstanding</u>	<u>Limited Tax</u>	<u>Ltd. & Unltd Tax</u>
Revenue	\$0	N/A	N/A
Limited Tax	\$1,655,000	\$1,655,000	\$1,655,000
Unlimited Tax	\$0	N/A	\$0
Debt Subject to Limitation		\$1,655,000	\$1,655,000
GO Debt Exempt From Limit.		\$0	\$0
Maximum Allowable		\$11,938,553	\$22,791,783
Balance of Limitation		\$10,283,553	\$21,136,783

* OMAC

INDIRECT TEN MILL LIMITATIONS *

Maximum Allowable		10.000
Cuyahoga County	0.733	
Walton Hills Village	0.585	
Bedford City School District	0.055	
TOTAL		1.372
Balance Of Limitation		8.628

* OMAC

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**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021-2020

**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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Walton Hills, Cuyahoga County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type and the fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of 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. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphases of Matter

As discussed in Note 13 to the financial statements for 2021 and Note 15 for 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

As discussed in Note 14 to the financial statements for the year ended December 31, 2020, during 2020, the Village adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Additionally, also discussed in Note 14, the Village restated the December 31, 2019 fund balance in the Custodial Funds to correct a prior period misstatement. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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

October 20, 2023

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Village of Walton Hills, Ohio
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, 2021

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$485,426	\$47,958	\$0	\$0	\$533,384
Municipal Income Tax	3,960,569	0	0	0	3,960,569
Intergovernmental	83,784	408,046	0	2,537,703	3,029,533
Special Assessments	166,929	0	0	0	166,929
Charges for Services	499,313	43,199	0	0	542,512
Fines, Licenses and Permits	767,375	5,749	0	21,359	794,483
Earnings on Investments	413	0	0	0	413
Miscellaneous	20,128	15,500	0	452	36,080
Total Cash Receipts	5,983,937	520,452	0	2,559,514	9,063,903
Cash Disbursements					
Current:					
Security of Persons and Property	2,615,373	188,988	0	0	2,804,361
Public Health Services	12,431	0	0	0	12,431
Leisure Time Activities	188,202	0	0	0	188,202
Community Environment	58,540	0	0	0	58,540
Basic Utility Services	340,480	0	0	0	340,480
Transportation	216,838	805,038	0	0	1,021,876
General Government	879,984	37,945	0	0	917,929
Capital Outlay	0	11,785	0	3,124,893	3,136,678
Debt Service:					
Principal Retirement	0	0	3,938,058	0	3,938,058
Interest and Fiscal Charges	0	0	55,385	0	55,385
Total Cash Disbursements	4,311,848	1,043,756	3,993,443	3,124,893	12,473,940
Excess of Receipts Over (Under) Disbursements	1,672,089	(523,304)	(3,993,443)	(565,379)	(3,410,037)
Other Financing Receipts (Disbursements)					
Sale of Notes	0	0	1,883,549	256,451	2,140,000
Premium and Accrued Interest on Debt	0	0	16,435	0	16,435
Sale of Capital Assets	2,209	0	0	116,861	119,070
Transfers In	0	656,785	0	200,000	856,785
Transfers Out	(856,785)	0	0	0	(856,785)
Total Other Financing Receipts (Disbursements)	(854,576)	656,785	1,899,984	573,312	2,275,505
Net Change in Fund Cash Balances	817,513	133,481	(2,093,459)	7,933	(1,134,532)
Fund Cash Balances, January 1	1,213,248	508,003	2,360,935	168,755	4,250,941
Fund Cash Balances, December 31	\$2,030,761	\$641,484	\$267,476	\$176,688	\$3,116,409

See accompanying notes to the basic financial statements

Village of Walton Hills, Ohio
Cuyahoga County
*Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)*
Fiduciary Fund Type
For the Year Ended December 31, 2021

	<u>Custodial</u>
Additions	
Income Taxes Collected for Distribution	\$795,781
Fines, Licenses and Permits for Distribution	<u>288,001</u>
<i>Total Additions</i>	<u>1,083,782</u>
Deductions	
Distributions as Custodial Agent	812,335
Distributions to Other Funds	<u>278,526</u>
<i>Total Deductions</i>	<u>1,090,861</u>
<i>Net Change in Fund Balances</i>	(7,079)
<i>Fund Cash Balances, January 1</i>	<u>376,726</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$369,647</u></u>
<i>See accompanying notes to the basic financial statements</i>	

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 combined statement of additions, deductions, and changes in fund balances (regulatory cash basis) for fiduciary fund types which are 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.

Other Special Revenue Fund The fund was created in 2020 to account for funds received from Cuyahoga County for Coronavirus relief from the Coronavirus Aid, Relief, and Economic Security Act, passed on March 27, 2020, by Congress.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital projects 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, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial 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 custodial funds account for activities in the Mayor's Court, contractor's performance bonds, and the Village of Walton Hills-Sagamore Hills Township JEDD.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the statement of additions, deductions and changes in fund balances (regulatory cash basis) fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial 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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

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.

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 2021 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,585,014	\$5,986,146	\$1,401,132
Special Revenue	1,013,767	1,177,237	163,470
Debt Service	1,640,000	1,899,984	259,984
Capital Projects	2,027,897	3,132,826	1,104,929
Total	<u>\$9,266,678</u>	<u>\$12,196,193</u>	<u>\$2,929,515</u>

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,288,168	\$5,193,875	\$94,293
Special Revenue	1,027,699	1,057,036	(29,337)
Debt Service	1,345,000	3,993,443	(2,648,443)
Capital Projects	3,936,011	3,140,695	795,316
Total	<u>\$11,596,878</u>	<u>\$13,385,049</u>	<u>(\$1,788,171)</u>

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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:

	<u>2021</u>
Demand Deposits	\$2,969,671
STAR Ohio	<u>516,385</u>
Total Deposits and Investments	<u>\$3,486,056</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

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.

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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 – Taxes (*continued*)

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, 2021.

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, 2021.

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 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
OPWC Loan- Dunham Road Water Main Rehab	\$67,456	2.00%
OPWC Loan- Dunham Road Improvement	50,370	0.00%
OPWC Loan- Walton Road Improvement	28,925	0.00%
OPWC Loan- Alexander/Dunham Improvement	33,238	2.00%
OPWC Loan- Egbert Road Improvement	134,707	0.00%
OPWC Loan- Sagamore Road Improvement	106,360	0.00%
OPWC Loan- Alexander Road Reconstruction	47,434	0.00%
Various Purpose Notes	2,140,000	2.00%
Total	<u>\$2,608,490</u>	

As of December 31, 2021, 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 for \$49,930 OPWC loan was awarded for the Alexander Road reconstruction road project.

In November 2019, the Village issued \$2,140,000 in various purpose general obligation notes, which is a rollover of notes from projects in previous years.

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

Year Ending December 31:	OPWC Loans	General Obligation Notes	Total
2022	\$43,059	\$2,140,000	\$2,183,059
2023	43,059	0	43,059
2024	43,059	0	43,059
2025	43,059	0	43,059
2026	35,184	0	35,184
2027-2031	103,674	0	103,674
2032-2036	62,220	0	62,220
2037-2041	59,724	0	59,724
2042-2046	38,024	0	38,024
2047	4,091	0	4,091
Total	<u>\$475,153</u>	<u>\$2,140,000</u>	<u>\$2,615,153</u>

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable: Unclaimed Monies	\$50	\$0	\$0	\$50
Outstanding Encumbrances	25,242	13,280	15,802	54,324
<i>Total</i>	<u>\$25,292</u>	<u>\$13,280</u>	<u>\$15,802</u>	<u>\$54,374</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service, and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – 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. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 14 – Subsequent Events

On October 22, 2022, Council authorized the refunding of notes in the amount of \$2,000,000 in anticipation of the issuance of bonds for the purpose of construction and installing road improvements for the Sagamore Road Reconstruction Project.

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Village of Walton Hills, Ohio
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, 2020

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$464,896	\$46,004	\$0	\$0	\$510,900
Municipal Income Tax	3,901,002	0	0	0	3,901,002
Intergovernmental	90,573	383,458	0	577,333	1,051,364
Special Assessments	165,394	0	0	0	165,394
Charges for Services	97,274	39,529	0	0	136,803
Fines, Licenses and Permits	795,020	6,404	0	16,713	818,137
Earnings on Investments	3,307	0	0	0	3,307
Miscellaneous	148,383	15,494	0	30,119	193,996
Total Cash Receipts	5,665,849	490,889	0	624,165	6,780,903
Cash Disbursements					
Current:					
Security of Persons and Property	2,422,607	263,894	0	0	2,686,501
Public Health Services	12,431	0	0	0	12,431
Leisure Time Activities	159,479	714	0	0	160,193
Community Environment	53,320	0	0	0	53,320
Basic Utility Services	327,536	0	0	0	327,536
Transportation	176,843	774,209	0	0	951,052
General Government	947,794	80,496	0	0	1,028,290
Capital Outlay	0	11,765	0	1,286,083	1,297,848
Debt Service:					
Principal Retirement	0	0	1,515,281	0	1,515,281
Interest and Fiscal Charges	0	0	37,690	0	37,690
Total Cash Disbursements	4,100,010	1,131,078	1,552,971	1,286,083	8,070,142
Excess of Receipts Over (Under) Disbursements	1,565,839	(640,189)	(1,552,971)	(661,918)	(1,289,239)
Other Financing Receipts (Disbursements)					
Sale of Notes	0	0	3,895,000	0	3,895,000
Premium and Accrued Interest on Debt	0	0	14,633	0	14,633
Sale of Capital Assets	6,261	0	0	0	6,261
Transfers In	0	626,300	0	510,000	1,136,300
Transfers Out	(1,136,300)	0	0	0	(1,136,300)
Total Other Financing Receipts (Disbursements)	(1,130,039)	626,300	3,909,633	510,000	3,915,894
Net Change in Fund Cash Balances	435,800	(13,889)	2,356,662	(151,918)	2,626,655
Fund Cash Balances, January 1, Restated	777,448	521,892	4,273	320,673	1,624,286
Fund Cash Balances, December 31	\$1,213,248	\$508,003	\$2,360,935	\$168,755	\$4,250,941

See accompanying notes to the basic financial statements

Village of Walton Hills, Ohio
Cuyahoga County
*Combined Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)*
Fiduciary Fund Type
For the Year Ended December 31, 2020

	<u>Custodial</u>
Additions	
Income Taxes Collected for Distribution	\$786,437
Fines, Licenses and Permits for Distribution	<u>208,018</u>
<i>Total Additions</i>	<u>994,455</u>
Deductions	
Distributions as Custodial Agent	754,201
Distributions to Other Funds	<u>229,721</u>
<i>Total Deductions</i>	<u>983,922</u>
<i>Net Change in Fund Balances</i>	10,533
<i>Fund Cash Balances, January 1, Restated</i>	<u>366,193</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$376,726</u></u>
<i>See accompanying notes to the basic financial statements</i>	

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 12 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 combined statement of additions, deductions, and changes in fund balances (regulatory cash basis) for fiduciary fund types which are 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.

Other Special Revenue Fund The fund was created in 2020 to account for funds received from Cuyahoga County for Coronavirus relief from the Coronavirus Aid, Relief, and Economic Security Act, passed on March 27, 2020, by Congress.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital projects 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, investment trust funds, and custodial funds. Trust funds account for assets held under a trust agreement meeting certain criteria.

Custodial 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 custodial funds account for activities in the Mayor's Court, contractor's performance bonds, and the Village of Walton Hills-Sagamore Hills Township JEDD.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the statement of additions, deductions and changes in fund balances (regulatory cash basis) fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

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 (C). 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 (C) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain custodial 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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

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.

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 2020 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$5,098,184	\$5,672,110	\$573,926
Special Revenue	913,865	1,117,189	203,324
Debt Service	1,640,000	3,909,633	2,269,633
Capital Projects	2,022,897	1,134,165	(888,732)
Total	<u>\$9,674,946</u>	<u>\$11,833,097</u>	<u>\$2,158,151</u>

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$5,223,032	\$5,271,974	(\$48,942)
Special Revenue	1,087,548	1,134,965	(47,417)
Debt Service	1,569,900	1,552,971	16,929
Capital Projects	265,782	2,147,235	(1,881,453)
Total	<u>\$8,146,262</u>	<u>\$10,107,145</u>	<u>(\$1,960,883)</u>

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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:

	2020
Demand Deposits	\$4,111,696
STAR Plus	266,477
Total Deposits	<u>4,378,173</u>
STAR Ohio	<u>249,494</u>
Total Deposits and Investments	<u><u>\$4,627,667</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

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.

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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Taxes (*continued*)

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, 2020.

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, 2020.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan- Dunham Road Water Main Rehab	\$81,643	2.00%
OPWC Loan- Dunham Road Improvement	57,566	0.00%
OPWC Loan- Walton Road Improvement	32,540	0.00%
OPWC Loan- Alexander/Dunham Improvement	36,577	2.00%
OPWC Loan- Egbert Road Improvement	140,564	0.00%
OPWC Loan- Sagamore Road Improvement	110,451	0.00%
OPWC Loan- Alexander Road Reconstruction	49,930	0.00%
Various Purpose Notes	<u>3,895,000</u>	2.00%
Total	<u>\$4,404,271</u>	

As of December 31, 2020, 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 in the amount of \$49,930. The initial amount of the loan proceeds was \$49,930.

In November 2020, the Village issued \$3,895,000 in various purpose general obligation notes, which included a rollover of notes from projects in previous years and new proceeds for current road projects.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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
2021	\$43,059	\$3,895,000	\$3,938,059
2022	43,059	0	43,059
2023	43,059	0	43,059
2024	43,059	0	43,059
2025	43,059	0	43,059
2026-2030	126,414	0	126,414
2031-2035	62,220	0	62,220
2036-2040	62,220	0	62,220
2041-2045	43,881	0	43,881
2046-2047	8,182	0	8,182
Total	<u>\$518,212</u>	<u>\$3,895,000</u>	<u>\$4,413,212</u>

Note 10 – Construction and Contractual Commitments

In 2020, as an agreement of cooperation with Cuyahoga County and the City of Maple Heights as the lead on the project for the reconstruction of Dunham Road from Tinkers Creek Road to Mendota Avenue in the Village of Walton Hills and City of Maple Heights. The total estimated project cost was \$3,075,000. The project will commence in January 2021 and will be completed by the end of 2021.

Note 11 – 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 12 – 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.

Village of Walton Hills
Cuyahoga County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Nonspendable: Unclaimed Monies	\$50	\$0	\$0	\$50
Outstanding Encumbrances	35,664	3,887	861,152	900,703
<i>Total</i>	<u>\$35,714</u>	<u>\$3,887</u>	<u>\$861,152</u>	<u>\$900,753</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted, committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service, and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – Change in Accounting Principles and Restatement of Fund Balance

For 2020, the Village has made changes to their cash basis reporting model, based on the interpretation of GASB Statement No. 84, as applicable to regulatory cash basis entities in Auditor of State Bulletin 2020-003. The changes include modifications to the definition of fiduciary funds, adding a separate Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Types and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)- All Governmental Fund Types.

Additionally, the Village corrected a prior period error in the Village of Walton Hills/Sagamore Hills JEDD fund, causing a restatement of beginning fund balance for the Custodial Funds.

The implementation of GASB Statement No. 84 and the correction of prior period errors had the following effect on beginning fund balances as reported as of December 31, 2019:

Fund Balances	Special Revenue Funds	Custodial Funds
Fund Balance at December 31, 2019	\$487,835	\$299,801
GASB 84 Fund Reclassification	34,057	(34,057)
Correction of Prior Period Errors	0	100,449
Restated Fund Balance at December 31, 2019	<u>\$521,892</u>	<u>\$366,193</u>

Note 15 – 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. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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**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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and fiduciary fund type combined total as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Walton Hills, Cuyahoga County, (the Village) and have issued our report thereon dated October 20, 2023, 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 continuing emergency measures which may impact subsequent periods of the Village, the Village adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, and the Village restated beginning fund balances for a prior period error in the custodial funds.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2021-001 and 2021-004 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2021-002 and 2021-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings as items 2021-002 and 2021-004.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Village's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 20, 2023

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

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

FINDING NUMBER 2021-001

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 statements were identified for the year ended December 31, 2021 and adjusted by the Village's management:

- Property tax receipts in the General Fund were understated in the amount of \$485,426, with related understatements of cash in the amount of \$64,470 and overstatements of special assessments and intergovernmental receipts in the amounts of \$222,106 and \$198,850, respectively. The errors were due to misclassifications between receipt types and receipts erroneously recorded in the Police Pension Special Revenue Fund;
- Property tax receipts and Extraordinary items in the Special Revenue Funds and the Special Revenue Fund cash balance were overstated by \$31,736, \$118,840, and \$64,470 respectively, with a related understatement of intergovernmental receipts of \$86,106. The error was due to the Village erroneously recording CARES Act receipts as an extraordinary item and erroneously recording homestead and rollback receipts in the Police Pension Special Revenue Fund, rather than the General Fund;
- Sale of notes and principal payments in the Debt Service Funds were overstated in the amount of \$256,451. The error was due to the Village improperly recording debt proceeds needed for construction projects in the Bond Retirement Fund, rather than the Capital Improvement Fund;
- Intergovernmental Receipts were understated by \$220,598, special assessments were overstated by \$155,294, miscellaneous receipts were overstated by \$321,755, note proceeds were understated by \$256,451, sale of capital assets was understated by \$116,861, and cash was understated by \$116,861 in the Capital Projects Funds. The reason for the errors were due to misclassifications of receipts in the opinion unit and the recording of the sale of land into the Special Revenue Funds opinion unit in error; and,
- In the Village's Budgetary Activity Note, Budgeted Receipts in the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds were overstated/(understated) by \$947,433, (\$1,013,767), (\$495,000) and \$845,810, respectively. Actual receipts in the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds were overstated/(understated) by (\$64,472), (\$1,058,397), \$240,016 and (\$397,716), respectively. Appropriation Authority in the General Fund, Special Revenue Funds and Capital Project Funds was understated by \$35,763, \$1,027,699 and \$861,152, respectively. Budgetary disbursements in the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds were overstated/(understated) by (\$25,245), (\$1,057,036), \$256,452, and (\$40,737), respectively.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2021-001
(Continued)**

Financial Reporting – Material Weakness (Continued)

Additionally, immaterial errors for the year ended December 31, 2021, ranging from \$2,000 to \$41,699, were identified and brought to management's attention.

Due to a lack of internal controls, the following errors to the Village's financial statements were identified for the year ended December 31, 2020 and adjusted by the Village's management:

- Property tax receipts in the General Fund were understated in the amount of \$464,896, with related understatements of cash in the amount of \$69,672 and intergovernmental receipts in the amount of \$33,250, and overstatements of special assessments in the amounts of \$428,474. The errors were due to misclassifications between receipt types and receipts erroneously recorded in the Police Pension Special Revenue Fund;
- Extraordinary items were overstated in the amount of \$116,994, intergovernmental receipts were understated by \$83,744, and cash fund balance was overstated by 33,250 in the Special Revenue Funds. The error was due to the Village incorrectly recording CARES Act funding as an extraordinary item and erroneously recording homestead and rollback receipts in the Police Pension Special Revenue Fund, rather than the General Fund;
- Intergovernmental receipts were understated by \$577,333, special assessments were overstated by \$140,406, and miscellaneous receipts were overstated by \$436,927 in the Capital Improvement Capital Projects Fund. The error was due to the misclassification of receipts;
- In the Village's Budgetary Activity Note, Budgeted Receipts in the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds were overstated by \$259,394, \$348,849, \$6,574 and \$316,387, respectively. Actual receipts in the General Fund and Special Revenue Funds were understated by \$69,498 and \$68,215, respectively. Appropriation Authority in the General Fund, Special Revenue Funds and Capital Project Funds was understated by \$15,017, \$36,285 and \$845,350, respectively. Budgetary disbursements in the General Fund, Special Revenue Funds and Capital Project Funds were overstated/(understated) by (\$56,111), (\$89,374), and (\$845,350), respectively.

Additionally, immaterial errors for the year ended December 31, 2020, ranging from \$175 to \$45,677, were identified and brought to management's attention.

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

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.

Officials' Response: We acknowledge the finding in the audit and are working to correct.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2021-002

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 entity'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 entity'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.

Maintaining organized documentation and support for financial transactions is essential in assuring the Village financial statements are not materially misstated and that all expenditures are made for a proper public purpose.

Of the 52 non-payroll disbursements and 28 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:

- The Village did not have a detailed itemized receipt or an invoice for five transactions, totaling \$7,326.
- Three of the above five transactions, totaling \$303, did not include detailed itemized receipts, making it unclear if they represented proper public purchases; and
- In 2021, the Village received an invoice for \$10,303 for equipment and its installation in the service garage, but issued payment to an incorrect vendor with a similar name. The Village later corrected this error and issued payment to the correct vendor and was refunded the errant payment from the incorrect vendor in 2022.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose. Additionally, 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.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2021-002
(Continued)**

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

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 and the number of credit card purchases. Purchasing controls should be implemented to ensure funds are reviewed and encumbered prior to incurring the expense, as well as to review appropriate vendor coding and disbursement. Finally, transactions should clearly document they represent a proper public purpose of the Village and supporting documentation for all transactions should be maintained.

Officials' Response: We acknowledge the finding in the audit and are working to correct.

FINDING NUMBER 2021-003

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 for the general operating and income tax accounts and the Mayor's Court Clerk is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis for the Mayor's Court account.

The following deficiencies were noted with the December 31, 2021 and 2020 bank reconciliations:

- On the December 31, 2021 general operating account reconciliation, there was a \$6,439 bank over book variance. The Village presented explanations on reconciling items, however no support was provided which validated these items;
- On the December 31, 2021 and December 2020 Mayor's court reconciliations, there was an unreconciled variance bank over book of \$195. Management indicated these variances may relate to prior year unrecorded activities. However, the specific transactions comprising these variances could not be identified and adjusted to the accounting records; and,
- On the December 31, 2020 general operating account reconciliation, \$156 was listed as a reconciling item for a reimbursement for a payment that was made to an employee twice. The error was corrected, but not until May 2021.

Failure to have accurate bank to book reconciliations and promptly follow up on outstanding reconciling items, could leave the Village susceptible to inaccurate financial reporting, fraud, or theft.

**VILLAGE OF WALTON HILLS
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2021-003
(Continued)**

Cash Reconciliations – Significant Deficiency (Continued)

The Village should determine the reason for the bank to book variances on the Mayor's Court and general operating account reconciliations. The Village should include sufficient detail on the reconciliations to identify specific items comprising each amount and reference 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, etc.), 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 and/or the Mayor's Court Clerk.

Officials' Response: We acknowledge the finding in the audit and are working to correct.

FINDING NUMBER 2021-004

Sale of Land – Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10 (F) indicates proceeds from the sale of permanent improvements must be paid into the sinking fund, bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. Ohio Rev. Code § 5705.01(E) defines a permanent improvement as any property, asset, or improvement with an estimated life of usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated useful life or usefulness of five years or more.

The Village sold one parcel of land during 2021, defined as a permanent improvement by Ohio Rev. Code § 5705.01(E), for \$116,861. There was no debt associated with this property; therefore, per Ohio Rev. Code § 5705.10 (F) the proceeds must be recorded in the Village's Capital Improvement Fund. However, the proceeds from the sale were recorded in the special revenue fund established for CARES Act monies, resulting in a material financial misstatement in the special revenue and capital projects funds. The financial statements and accounting system were both adjusted by management to record the proceeds in the correct fund.

The Village should review the requirements in the Ohio Revised Code and record the sale of permanent improvements in the appropriate fund, depending on the circumstances of the sale, in the future.

Officials' Response: We acknowledge the finding in the audit and are working to correct.



Village of Walton Hills
7595 Walton Road • Walton Hills Ohio, 44146
Nickol Sell, Fiscal Officer

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Financial Reporting- Material Weakness: Numerous adjustments were noted to the financial statements.	Not Corrected	Re-Issued as Finding 2021-001
2019-002	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 2021-002
2019-003	Cash Reconciliations - Significant Deficiency: The Village had numerous weaknesses noted on the year-end bank reconciliation.	Not Corrected	Re-Issued as Finding 2021-003

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 11/28/2023

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www.ohioauditor.gov