



**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Boston Heights
Summit County
45 E. Boston Mills Road
Hudson, OH 44236

To the Village Council:

We have audited the accompanying financial statements of the Village of Boston Heights, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the finance/audit committee, management, and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

Jim Petro
Auditor of State

March 8, 2002

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$607,743	\$201,636	\$15,460	\$824,839
Intergovernmental Receipts	126,584	53,847	1,629	182,060
Charges for Services	455	10,087		10,542
Fines, Licenses, and Permits	400,548	28,926		429,474
Earnings on Investments	17,338	2,862		20,200
Miscellaneous	31,006	21,282		52,288
Total Cash Receipts	1,183,674	318,640	17,089	1,519,403
Cash Disbursements:				
Current:				
Security of Persons and Property	595,669	21,155		616,824
Public Health Services	16,690			16,690
Leisure Time Activities		32,885		32,885
Community Environment	38,991			38,991
Transportation	142,594	305,379		447,973
General Government	261,812	46,505	1,267	309,584
Debt Service:				
Principal Payments	20,112			20,112
Interest Payments	5,279			5,279
Capital Outlay	83,176	269,942		353,118
Total Cash Disbursements	1,164,323	675,866	1,267	1,841,456
Total Cash Receipts Over/(Under) Cash Disbursements	19,351	(357,226)	15,822	(322,053)
Other Financing Receipts/(Disbursements):				
Sale of Notes	40,000	160,000		200,000
Total Other Financing Receipts/(Disbursements)	40,000	160,000	0	200,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	59,351	(197,226)	15,822	(122,053)
Fund Cash Balances, January 1	149,103	385,793	23,062	557,958
Fund Cash Balances, December 31	\$208,454	\$188,567	\$38,884	\$435,905
Reserves for Encumbrances, December 31	\$0	\$0	\$0	\$0

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

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
Operating Cash Receipts:			
Charges for Services	\$30	\$0	\$30
Earnings on Investments	3,965		3,965
Contributions and Donations	2,000		2,000
Total Operating Cash Receipts	5,995	0	5,995
Operating Cash Disbursements:			
Contractual Services	1,475		1,475
Operating Income	4,520	0	4,520
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		557,059	557,059
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		561,350	561,350
Net Receipts Over/(Under) Disbursements	4,520	(4,291)	229
Fund Cash Balances, January 1	56,622	97,434	154,056
Fund Cash Balances, December 31	\$61,142	\$93,143	\$154,285
Reserve for Encumbrances, December 31	\$0	\$0	\$0

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

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$583,491	\$173,200	\$12,901	\$769,592
Intergovernmental Receipts	132,334	50,116	1,490	183,940
Charges for Services	1,925	10,079		12,004
Fines, Licenses, and Permits	430,888	5,888		436,776
Earnings on Investments	21,244	3,670	2	24,916
Miscellaneous	10,329	2,107		12,436
Total Cash Receipts	<u>1,180,211</u>	<u>245,060</u>	<u>14,393</u>	<u>1,439,664</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	568,677	43,049		611,726
Public Health Services	14,842			14,842
Leisure Time Activities		35,544		35,544
Community Environment	78,577			78,577
Transportation	145,345	54,036		199,381
General Government	304,992	2,463	1,007	308,462
Capital Outlay	48,202			48,202
Total Cash Disbursements	<u>1,160,635</u>	<u>135,092</u>	<u>1,007</u>	<u>1,296,734</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>19,576</u>	<u>109,968</u>	<u>13,386</u>	<u>142,930</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		58,028		58,028
Transfers-Out	(58,028)			(58,028)
Proceeds of Notes	87,981			87,981
Total Other Financing Receipts	<u>29,953</u>	<u>58,028</u>	<u>0</u>	<u>87,981</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>49,529</u>	<u>167,996</u>	<u>13,386</u>	<u>230,911</u>
Fund Cash Balances January 1	<u>99,574</u>	<u>217,797</u>	<u>9,676</u>	<u>327,047</u>
Fund Cash Balances, December 31	<u>\$149,103</u>	<u>\$385,793</u>	<u>\$23,062</u>	<u>\$557,958</u>
Reserves for Encumbrances, December 31	<u>\$39,779</u>	<u>\$0</u>	<u>\$0</u>	<u>\$39,779</u>

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

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
Operating Cash Receipts:			
Charges for Services	\$310	\$0	\$310
Earnings on Investments	3,667		3,667
Miscellaneous	35		35
Total Operating Cash Receipts	4,012	0	4,012
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		514,418	514,418
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		578,666	578,666
Net Receipts Over/(Under) Disbursements	4,012	(64,248)	(60,236)
Fund Cash Balances, January 1	52,610	161,682	214,292
Fund Cash Balances, December 31	\$56,622	\$97,434	\$154,056
Reserve for Encumbrances, December 31	\$1,475	\$0	\$1,475

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

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Boston Heights, Summit County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, park operations(leisure time activities), fire protection, and police services. The Village contracts with the Macedonia Fire Department to provide fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Village invests in certificates of deposit and overnight repurchase agreements which are valued at cost. Money market funds are valued at share price, which is the price the investment could be sold for on December 31, 2001.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

Road Levy Fund - This fund receives revenue generated from a special tax levy for maintaining and repairing Village streets.

Fire Levy Fund - This fund receives revenue generated from a special tax levy to purchase a fire truck and equipment for fire protection.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund - This fund is used to account for the portion of tax revenue used for capital improvements in the Village.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a non-expendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Cemetery Trust Fund - This fund is used to maintain the corpus of a trust. The interest earned on the principal amount is used to maintain the Village's cemetery.

Refundable Performance Bond Fund - This fund is used to account for performance bond deposits for residential or commercial site improvements within the Village. Deposits are refunded upon completion of construction and proof of inspection.

Mayor's Court Fund - This fund is used to account for fine monies from traffic violations and other Mayor's Court activities.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$ 58,101	\$ 79,176
Certificates of deposit	55,996	52,031
Money Market	16,093	15,807
Total deposits	130,190	147,014
Repurchase agreements	460,000	565,000
Total deposits and investments	\$590,190	\$712,014

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

Investments: Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form. The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

Throughout 2001 and 2000, the Village invested in Treasury Notes, repurchase agreements and money market funds without filing an investment policy with the Auditor of State, contrary to Ohio Rev. Code Section 135.14.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,213,906	\$1,223,674	\$9,768
Special Revenue	273,242	478,640	205,398
Capital Projects	16,054	17,089	1,035
Fiduciary	2,000	5,995	3,995
Total	\$1,505,202	\$1,725,398	\$220,196

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,363,187	\$1,164,323	\$198,864
Special Revenue	590,925	675,866	(84,941)
Capital Projects	39,000	1,267	37,733
Fiduciary	3,500	1,475	2,025
Total	\$1,996,612	\$1,842,931	\$153,681

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,251,907	\$1,268,192	\$16,285
Special Revenue	237,711	303,088	65,377
Capital Projects	15,044	14,393	(651)
Fiduciary	1,000	4,012	3,012
Total	\$1,505,662	\$1,589,685	\$84,023

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,336,403	\$1,258,442	\$77,961
Special Revenue	333,460	135,092	198,368
Capital Projects	20,500	1,007	19,493
Fiduciary	2,000	1,475	525
Total	\$1,692,363	\$1,396,016	\$296,347

During 2001 and 2000, the Clerk/Treasurer did not always certify the availability of funds for all of the Village purchases prior to the commitment, contrary to Ohio Rev. Code Section 5705.41(D).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX (Continued)

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 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.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note - Backhoe Purchase	\$40,000	4.55%
General Obligation Note - Dump Truck Purchase	67,869	6%
General Obligation Note - Fire Truck Purchase	160,000	4.58%
Total	\$267,869	

The General Obligation Notes relate to the purchase of a backhoe, dump truck, and a fire truck for the Village. The General Obligation Notes are collateralized by the Village's taxing authority.

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

<u>Year ending December 31:</u>	<u>General Obligation Note - Backhoe</u>	<u>General Obligation Note - Dump Truck</u>	<u>General Obligation Note - Fire Truck</u>
2002	\$14,532	\$25,391	\$58,536
2003	14,532	25,391	58,536
2004	14,532	25,391	58,536
Total	\$43,596	\$76,173	\$175,608

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants contributed 10% of their gross salaries. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Commercial Inland Marine
- General liability
- Public officials' liability
- Employer's liability
- Employee benefits liability
- Cemetery liability

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

9. CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Boston Heights
Summit County
45 E. Boston Mills Road
Hudson, OH 44236

To the Village Council:

We have audited the accompanying financial statements of the Village of Boston Heights, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated March 8, 2002. We conducted our audits 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-30977-001 and 2001-30977-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 8, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 8, 2002.

This report is intended solely for the information and use of the finance/audit committee, management, and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

Jim Petro
Auditor of State

March 8, 2002

VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

Noncompliance Citations

FINDING NUMBER 2001-30977-001

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid
- If the amount involved is less than \$1,000, the Clerk/Treasurer may authorize payment through a Then and Now Certificate without affirmation of Council, if such expenditure is otherwise valid

During 2001 and 2000, 28 out of 60 expenditures tested, were not certified by the Clerk/Treasurer prior to incurring the obligation. In addition, neither of the two exceptions noted above were utilized. Also, certain liabilities, contracts and open purchase commitments incurred prior to December 31, 2001 and 2000, which were not encumbered, were improperly charged against the subsequent year's appropriations for the General and certain Special Revenue funds. As a result of the above, the Village could inadvertently over expend certain appropriations. Prior to entering into commitments, the Clerk/Treasurer should certify that funds are available for expenditure. The Clerk/Treasurer should inform all Village employees of the requirements of the above code section. The Village should inform all Village employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Village should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

FINDING NUMBER 2001-30977-002

Ohio Rev. Code Section 135.14 requires that investments or deposits made under Ohio Rev. Code Section 135.14 cannot be made unless a written investment policy approved by the treasurer or governing board is on file with the Auditor of State, with the following two exceptions:

- If a written investment policy is not filed with the Auditor of State, the treasurer or governing board is permitted to invest only in interim deposits, STAR Ohio, and no load money market mutual funds.
- A subdivision whose average annual portfolio of investments is \$100,000 or less is not required to file an investment policy, provided that the treasurer or governing board certifies to the Auditor of State that the treasurer or governing board will comply and is in compliance with the provisions of Section 135.01 to 135.21.

Throughout 2001 and 2000, the Village invested in over-night repurchase agreements. The investments in repurchase agreements, on average, exceeded \$100,000. Since repurchase agreements do not qualify as interim deposits and the Village's average investment balance exceeded \$100,000, the Village should file a written investment policy with the Auditor of State. Although the Village established a written investment policy, it was not filed with the Auditor of State.

In addition, the investment policy must be signed by:

- All entities conducting investment business with the treasurer or governing board (except the Treasurer of State);
- All brokers, dealers, and financial institutions, described in Section 135.14(M)(1), initiating transactions with the treasurer or governing board by giving advise or making investment recommendations;
- All brokers, dealers, and financial institutions, described in Section 135.14(M)(1), executing transactions initiated by the treasurer or governing board.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30977-001	Ohio Rev. Code Section 5705.41(D), Proper Certification of Expenditures	No	Not corrected.
1999-30977-002	Ohio Rev. Code Section 135.14, Filing of Investment Policy	No	Partially Corrected. The Village developed an Investment Policy; however, it was not filed with the Auditor of State, nor were the requisite signatures obtained.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF BOSTON HEIGHTS

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2002**