



**Auditor of State
Betty Montgomery**

VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

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

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

Betty Montgomery
Auditor of State

September 29, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Boston Heights
Summit County
45 E. Boston Mills Road
Hudson, Ohio 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, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 29, 2006

**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, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$759,608	\$237,269	\$17,041	\$1,013,918
Intergovernmental Receipts	120,293	139,560	2,052	261,905
Charges for Services	2,010	15,385		17,395
Fines, Licenses, and Permits	453,888	36,548		490,436
Earnings on Investments	7,835	4,063	2	11,900
Miscellaneous	43,285	3,828		47,113
	<u>1,386,919</u>	<u>436,653</u>	<u>19,095</u>	<u>1,842,667</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	642,712	111,545		754,257
Public Health Services	22,562			22,562
Leisure Time Activities		29,807		29,807
Community Environment	26,080			26,080
Transportation	160,425	140,532		300,957
General Government	384,058	23,800	251	408,109
Debt Service:				
Principal Payments	50,000	122,855		172,855
Interest Payments	953	5,824		6,777
Capital Outlay		27,802	13,231	41,033
	<u>1,286,790</u>	<u>462,165</u>	<u>13,482</u>	<u>1,762,437</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>100,129</u>	<u>(25,512)</u>	<u>5,613</u>	<u>80,230</u>
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes		45,000		45,000
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	100,129	19,488	5,613	125,230
Fund Cash Balances, January 1	<u>48,328</u>	<u>172,030</u>	<u>55,775</u>	<u>276,133</u>
Fund Cash Balances, December 31	<u>\$148,457</u>	<u>\$191,518</u>	<u>\$61,388</u>	<u>\$401,363</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$23,859</u>	<u>\$0</u>	<u>\$23,859</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 - ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Fiduciary Fund Types</u>		Totals (Memorandum Only)
	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$240		\$240
Earnings on Investments	1,664		1,664
Total Operating Cash Receipts	<u>1,904</u>		<u>1,904</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$668,572	668,572
Total Non-Operating Cash Receipts		<u>668,572</u>	<u>668,572</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		661,124	661,124
Net Receipts Over Disbursements	1,904	7,448	9,352
Fund Cash Balances, January 1	<u>65,176</u>	<u>85,538</u>	<u>150,714</u>
Fund Cash Balances, December 31	<u>\$67,080</u>	<u>\$92,986</u>	<u>\$160,066</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 - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Project	
Cash Receipts:				
Property Tax and Other Local Taxes	\$626,722	\$257,519	\$18,727	\$902,968
Intergovernmental Receipts	119,140	132,553	8,858	260,551
Charges for Services	3,481	10,657		14,138
Fines, Licenses, and Permits	370,111	31,416		401,527
Earnings on Investments	2,728	2,404		5,132
Miscellaneous	38,866	3,127		41,993
Total Cash Receipts	1,161,048	437,676	27,585	1,626,309
Cash Disbursements:				
Current:				
Security of Persons and Property	604,464	122,498		726,962
Public Health Services	22,526			22,526
Leisure Time Activities		38,876		38,876
Community Environment	32,361			32,361
Transportation	142,277	301,419		443,696
General Government	388,146	42,071		430,217
Debt Service:				
Principal Payments	87,853	133,557		221,410
Capital Outlay			33,243	33,243
Total Cash Disbursements	1,281,185	646,966	33,243	1,961,394
Total Cash Receipts Over/(Under) Cash Disbursements	(120,137)	(209,290)	(5,658)	(335,085)
Other Financing Receipts and (Disbursements):				
Sale of Bonds or Notes	100,000			100,000
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(20,137)	(209,290)	(5,658)	(235,085)
Fund Cash Balances, January 1	68,465	381,320	61,433	511,218
Fund Cash Balances, December 31	\$48,328	\$172,030	\$55,775	\$276,133

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Fiduciary Fund Types		Totals (Memorandum Only)
	Nonexpendable Trust	Agency	
Operating Cash Receipts:			
Charges for Services	\$340		\$340
Earnings on Investments	604		604
	<hr/>		<hr/>
Total Operating Cash Receipts	944		944
	<hr/>		<hr/>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts		\$535,736	535,736
		<hr/>	<hr/>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		530,112	530,112
		<hr/>	<hr/>
Net Receipts Over Disbursements	944	5,624	6,568
Fund Cash Balances, January 1	64,232	79,914	144,146
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$65,176</u>	<u>\$85,538</u>	<u>\$150,714</u>

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, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Boston Heights, Summit County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. 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 dispatch 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values overnight repurchase agreements at cost. Money market mutual funds are recorded at share values the mutual fund reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village's only capital project fund is the Capital Improvement Fund which 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 account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. 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.

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/department level for the General Fund and the fund level for all other funds, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$161,339	\$91,128
Money market	16,540	16,331
Total deposits	177,879	107,459
 Repurchase agreement		
Total investments	383,550	319,388
Total deposits and investments	\$561,429	\$426,847

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

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,335,713	\$1,386,919	\$51,206
Special Revenue	432,873	481,653	48,780
Capital Projects	19,766	19,095	(671)
Fiduciary	750	1,904	1,154
Total	\$1,789,102	\$1,889,571	\$100,469

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,317,783	\$1,286,790	\$30,993
Special Revenue	574,299	462,165	112,134
Capital Projects	72,810	13,482	59,328
Fiduciary	59,500	0	59,500
Total	\$2,024,392	\$1,762,437	\$261,955

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,247,106	\$1,261,048	\$13,942
Special Revenue	337,431	437,676	100,245
Capital Projects	20,099	27,585	7,486
Fiduciary	6,500	944	(5,556)
Total	\$1,611,136	\$1,727,253	\$116,117

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,299,292	\$1,281,185	\$18,107
Special Revenue	840,540	646,966	193,574
Capital Projects	80,000	33,243	46,757
Fiduciary	59,500	0	59,500
Total	\$2,279,332	\$1,961,394	\$317,938

Contrary to Ohio law, for 2005, appropriations exceeded estimated resources in the Special Revenue Road Levy and Special Revenue Fire Levy Funds by \$53,680 and \$72,981, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 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.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
General Obligation Note - Tractor	\$16,561	3.57%
General Obligation Note - Road	70,000	3.08%
Total	\$86,561	

The General Obligation Notes relate to the purchase of a tractor and road construction projects. The Village's taxing authority collateralizes General Obligation Notes.

Amortization of the above debt, including interest, follows:

	General Obligation Note - Tractor	General Obligation Note - Road
Year ending December 31:		
2006	\$8,727	\$72,156
2007	8,727	
Total	\$17,454	\$72,156

7. RETIREMENT SYSTEMS

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

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

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

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

8. RISK MANAGEMENT

Commercial Insurance

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.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the financial statements of the Village of Boston Heights, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 29, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 through 2005-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

In a separate letter to the Village's management dated September 29, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2005-004.

In a separate letter to the Village's management dated September 29, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

September 29, 2006

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Reportable Condition

Fire/EMS Payroll Procedures

During testing of Fire/EMS payroll, the following deficiencies were noted:

- No policy exists regarding the personnel who will respond to any given run.
- Run sheets reflect checkmarks next to the names of individuals responding to a run as the only evidence of their attendance.
- Individual run sheets did not reflect the total number of hours to be paid for the run and did not always have evidence of review and approval.
- In several instances, the summary worksheet used by the Clerk/Treasurer to disburse payroll checks for Fire/EMS did not agree to individual run sheets.
- Volunteers and officers are paid once every six months.
- No supporting documentation exists verifying that fire inspections were performed in accordance with the Ohio Admin. Code 139.03.
- No supporting documentation evidencing the results of individual fire inspections is completed at the time of inspection.
- No evidence exists verifying the inspected businesses were aware that an inspection occurred and/or of the results of their inspection.

In order to correct these deficiencies:

- The Village should develop policies to ensure an appropriate number of personnel respond to each run and that additional personnel only respond as needed.
- Individuals responding to a run should sign each run sheet as evidence of their attendance.
- Run sheets should reflect the total number of hours to be paid for each volunteer and/or officer and should be signed by a supervisor as evidence of review and approval.
- Procedures should be established to ensure the summary sheet is agreed to the underlying run sheets and is properly approved prior to the issuance of paychecks.
- The Village should establish a more timely payment schedule, perhaps bi-weekly or monthly, for all Fire/EMS personnel.
- Uniform documentation for fire inspections should be developed and maintained to ensure compliance with the Ohio Admin. Code 139.03.
- For each fire inspection, documentation should be maintained evidencing the location and date of the inspection, the procedures performed, and the results of the inspection.
- Fire inspection documentation should be signed and dated by the individual business owners as evidence they are aware of the results of their inspection.

FINDING NUMBER 2005-001 (Continued)

Officials' Response: Fire/EMS Payroll Procedures

- The Safety II Committee of Council, along with the Fire Chief will develop a rotating schedule of volunteers for all Fire/EMS calls.
- New run sheets have been developed that require signatures of all volunteers responding to a call.
- New run sheets have been developed that include the total number of hours to be paid.
- All volunteer personnel will have an individual monthly time sheet with supporting documentation for each category to be paid.
- All volunteers will be paid monthly.
- New inspection forms were developed to document the procedures performed.
- New inspection forms were developed to document the results of the inspections including any violations.
- New inspection forms were developed and a copy is provided to the owner or manager at the time of inspection.

FINDING NUMBER 2005-002

Reportable Condition

Budgetary Procedures

During testing of budgetary compliance, the following deficiencies were noted:

- Amended appropriations ordinances do not include sufficient detail regarding the amounts approved.
- The Village submitted 0 out of 5 and 2 out of 5 approved appropriation ordinances to the County Fiscal Officer during 2005 and 2004, respectively.
- Total appropriations could not readily be traced to the Village's appropriation ledger as there were no accounting system reports run that reflect total appropriations per fund and/or account.
- Appropriations were not posted timely.
- For 3 out of 6 funds tested in 2005 and 1 out of 6 funds tested in 2004, estimated revenue per the final amended certificate of resources did not agree to the Village's receipt ledger.

In order to correct these deficiencies:

- All appropriations ordinances should reflect either the dollar amount of the increase/(decrease) in appropriations at the legal level of control or the appropriations as amended at the legal level of control.
- The Clerk/Treasurer should ensure all appropriation measures are properly filed with the County Fiscal Officer.
- The Clerk/Treasurer should consult with the Village's software provider in order to fully understand the capabilities of the system and determine all necessary reports that should be run.
- All appropriations should be accurately and timely posted to the accounting system.
- The Clerk/Treasurer should ensure all estimated revenue is accurately and timely posted to the accounting system.

FINDING NUMBER 2005-002 (Continued)

Officials' Response: Budgetary Procedures

- A new budgetary worksheet was developed that documents the appropriation ordinances at the legal level of control.
- Due to problems with the U.S Mail, the Village was unaware that appropriations were not delivered to the County Fiscal Officer. The Village will take additional steps (i.e. certified mailing, hand delivery, follow-up phone calls, etc.) to ensure the County receives the information.
- Based upon consultation with the software provider, Fund Status reports will be run for all future years.
- All appropriations are posted upon approval of Council.
- All estimated revenues are posted when certificates are received and changed accordingly when recertified by the County.

FINDING NUMBER 2005-003

Reportable Condition

Mayor's Court Internal Controls

During testing of the Mayor's Court activities, the following deficiencies were noted:

- The Police Department does not maintain copies of the tickets issued by the department. Both the law enforcement and court copies are maintained by the Clerk of Courts during processing and after each case is closed. Additionally, the Police Department does not maintain a copy of tickets issued by the State Highway Patrol.
- No reconciliation is done between the number of tickets written and the number of tickets entered into the computer system.
- The Court's procedures do not require reviews of reports generated and reconciliations performed, with the exception for the monthly bank reconciliation.
- The Court currently tracks bond disbursements and payment schedules outside the computerized Court computer system.
- Court deposits are not delivered to the Bank in accordance with any formalized schedule.

In order to improve internal controls:

- The Police Department should maintain the law enforcement copy of each ticket issued and file them in ticket order. Additionally, the Police Department should maintain copies of all tickets issued by the Ohio State Highway Patrol within the Village.
- At regular intervals, perhaps monthly, a reconciliation should be performed between the Police Department and the Clerk of Courts' office to ensure all tickets have been properly entered into the system.
- Reports generated by the Court computer system and reconciliations performed by the Clerk of Courts should be reviewed for accuracy. These reviews should be evidenced by the initials of the reviewer, along with the date reviewed.
- The Clerk of Courts should contact their software provider to determine whether procedures currently handled manually could be more efficiently performed within the system.
- Deposits should be taken to the bank at regular intervals (e.g. daily).

FINDING NUMBER 2005-003 (Continued)

Officials' Response: Mayor's Court Internal Controls

- As of October 1, 2006, hard copies of all citations will be maintained outside of the Clerk of Court's office as well as photocopies of all State Highway Patrol citations
- Each month a reconciliation will be performed and signed by the President Pro-Tem to ensure all citations were received and entered by the Court.
- Reconciliation of each day's activities using the EOD – End of Day Report will be reviewed and signed by the President Pro-Tem.
- The Court will consult with the software provider regarding the ability to track bonds within the system.
- Attempts will be made to ensure deposits are made daily by the Police Department or the Clerk.

FINDING NUMBER 2005-004

Material Noncompliance

Ohio Rev. Code Section 5705.39 requires the total appropriation from each fund shall not exceed the total estimated revenue.

For 2004, appropriations exceeded estimated resources in the Special Revenue Road Levy and Special Revenue Fire Levy Funds by \$53,680 and \$72,981, respectively. The Village should monitor its appropriations and certificate of estimated resources to ensure that appropriations do not exceed the certificate of estimated resources.

Officials' Response: Material Noncompliance

In both funds, the variances were the result of purchase orders that were not properly closed within the system from the prior year and erroneously carried over by the system into the audit period. Actual expenditures did not exceed estimated revenues in either fund.



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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
NOVEMBER 14, 2006**