

VILLAGE OF BOSTON HEIGHTS

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2013 and 2012





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Boston Heights, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Boston Heights is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 9, 2014

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VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY
December 31, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Boston Heights, Summit County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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.

Auditors' Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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* paragraph, the financial statements referred to above 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, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Boston Heights, Summit County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.



Charles E. Harris & Associates, Inc.
August 14, 2014

Village of Boston Heights, Ohio
Summit County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2013

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$182,676	\$252,290	\$18,609	\$453,575
Municipal Income Tax	1,088,810	-	-	1,088,810
Intergovernmental	65,496	422,646	286,186	774,328
Charges for Services	24,967	-	-	24,967
Fines, Licenses and Permits	268,170	35,677	-	303,847
Earnings on Investments	118	20	1	139
Miscellaneous	27,295	243,508	-	270,803
<i>Total Cash Receipts</i>	<u>1,657,532</u>	<u>954,141</u>	<u>304,796</u>	<u>2,916,469</u>
Cash Disbursements				
Current:				
Security of Persons and Property	775,299	133,771	-	909,070
Public Health Services	25,784	-	-	25,784
Leisure Time Activities	-	20,704	-	20,704
Community Environment	92,931	-	-	92,931
Basic Utility Services	6,230	-	-	6,230
Transportation	150,567	492,672	-	643,239
General Government	533,293	121,888	374	655,555
Capital Outlay	178,122	2,415	284,077	464,614
<i>Total Cash Disbursements</i>	<u>1,762,226</u>	<u>771,450</u>	<u>284,451</u>	<u>2,818,127</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(104,694)	182,691	20,345	98,342
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	38,000	-	-	38,000
Other Financing Uses	-	(103)	-	(103)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>38,000</u>	<u>(103)</u>	<u>-</u>	<u>37,897</u>
<i>Net Change in Fund Cash Balances</i>	(66,694)	182,588	20,345	136,239
<i>Fund Cash Balances, January 1</i>	<u>804,623</u>	<u>446,997</u>	<u>20,494</u>	<u>1,272,114</u>
Fund Cash Balances, December 31				
Nonspendable	9,540	-	-	9,540
Restricted	-	629,585	40,839	670,424
Assigned	18,472	-	-	18,472
Unassigned	709,917	-	-	709,917
<i>Fund Cash Balances, December 31</i>	<u>\$737,929</u>	<u>\$629,585</u>	<u>\$40,839</u>	<u>\$1,408,353</u>

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

Village of Boston Heights, Ohio
Summit County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances
All Fiduciary Fund Types
For the Year Ended December 31, 2013

	Fiduciary Fund Types		Totals (Memorandum Only)
	Agency	Private Purpose Trust	
Operating Cash Receipts			
Charges for Services	-	\$200	\$200
Fines and Forfeitures	\$402,522	-	402,522
Miscellaneous	1,300	-	1,300
<i>Total Operating Cash Receipts</i>	403,822	200	404,022
Operating Cash Disbursements			
Contractual Services	-	1,570	1,570
Supplies and Materials	-	44	44
Other Fines and Forfeitures	404,767	-	404,767
<i>Total Operating Cash Disbursements</i>	404,767	1,614	406,381
<i>Operating Income (Loss)</i>	(945)	(1,414)	(2,359)
<i>Fund Cash Balances, January 1</i>	24,328	67,492	91,820
<i>Fund Cash Balances, December 31</i>	\$23,383	\$66,078	\$89,461

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

Village of Boston Heights, Ohio
Summit County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances
All Governmental Fund Types
For the Year Ended December 31, 2012

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$186,745	\$245,215	\$18,441	\$450,401
Municipal Income Tax	1,086,249	-	-	1,086,249
Intergovernmental	79,563	120,334	205,200	405,097
Charges for Services	35,810	-	-	35,810
Fines, Licenses and Permits	265,143	45,612	-	310,755
Earnings on Investments	1,066	120	2	1,188
Miscellaneous	57,908	3,795	-	61,703
<i>Total Cash Receipts</i>	<u>1,712,484</u>	<u>415,076</u>	<u>223,643</u>	<u>2,351,203</u>
Cash Disbursements				
Current:				
Security of Persons and Property	967,336	88,983	-	1,056,319
Public Health Services	24,220	-	-	24,220
Leisure Time Activities	-	27,017	-	27,017
Community Environment	44,189	-	-	44,189
Basic Utility Services	10,047	-	-	10,047
Transportation	189,023	455,868	-	644,891
General Government	541,854	11,927	8,396	562,177
Capital Outlay	8,500	75,312	205,922	289,734
<i>Total Cash Disbursements</i>	<u>1,785,169</u>	<u>659,107</u>	<u>214,318</u>	<u>2,658,594</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(72,685)	(244,031)	9,325	(307,391)
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	4,666	-	-	4,666
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,666</u>	<u>-</u>	<u>-</u>	<u>4,666</u>
<i>Net Change in Fund Cash Balances</i>	(68,019)	(244,031)	9,325	(302,725)
<i>Fund Cash Balances, January 1</i>	<u>872,642</u>	<u>691,028</u>	<u>11,169</u>	<u>1,574,839</u>
Fund Cash Balances, December 31				
Nonspendable	9,540	-	-	9,540
Restricted	-	446,997	20,494	467,491
Unassigned	795,083	-	-	795,083
<i>Fund Cash Balances, December 31</i>	<u>\$804,623</u>	<u>\$446,997</u>	<u>\$20,494</u>	<u>\$1,272,114</u>

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

Village of Boston Heights, Ohio
Summit County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances
All Fiduciary Fund Types
For the Year Ended December 31, 2012

	Fiduciary Fund Types		Totals (Memorandum Only)
	Agency	Private Purpose Trust	
Operating Cash Receipts			
Charges for Services	-	\$1,150	\$1,150
Fines and Forfeitures	\$420,906	-	420,906
Earnings on Investments	-	24	24
Miscellaneous	-	40	40
<i>Total Operating Cash Receipts</i>	420,906	1,214	422,120
Operating Cash Disbursements			
Contractual Services	-	815	815
Supplies and Materials	-	80	80
Other Fines and Forfeitures	431,828	-	431,828
<i>Total Operating Cash Disbursements</i>	431,828	895	432,723
<i>Operating Income (Loss)</i>	(10,922)	319	(10,603)
Non-Operating Receipts (Disbursements)			
Other Financing Uses	(45,727)	-	(45,727)
<i>Total Non-Operating Receipts (Disbursements)</i>	(45,727)	-	(45,727)
<i>Net Change in Fund Cash Balances</i>	(56,649)	319	(56,330)
<i>Fund Cash Balances, January 1</i>	80,977	67,173	148,150
<i>Fund Cash Balances, December 31</i>	\$24,328	\$67,492	\$91,820

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, 2013 AND 2012**

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 directs the Village. The Village provides general government services, park operations, fire protection and police services. The Village contracts with the City of Macedonia to provide dispatch and emergency medical services. In 2014, the Village contracted with the Valley Fire District for fire protection.

The Village participates in the Regional Council of Governments (RCOG), which is a jointly governed organization. Note 11 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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. 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 Auditor of State prescribes or permits.

C. 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.

The Village has no investments in either 2012 nor 2013.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (continued)

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

Road Levy Fund – This fund receives property tax money generated from a special levy and income tax money for constructing, maintaining and repairing roads.

Fire Levy Fund – This fund receives revenue generated from a special tax levy for capital improvements of the Village fire department.

3. 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 Project Fund:

Bridge Construction Fund – This fund receives grants for the construction and upkeep of village bridges.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund is used for the benefit of the Village's cemetery.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for Refundable Performance Bond deposits for residential or commercial site improvements within the Village and Mayor's Court 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.

VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. **Summary of Significant Accounting Policies (continued)**

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 Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

3. **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 2013 and 2012 budgetary activity appears in Note 3.

F. **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:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **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.

3. **Committed**

Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. 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.

G. 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.

H. 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. Deposits

The Village maintains a deposit pool for all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2013 was \$1,497,814, of which the bank balance was \$1,534,777. The carrying amount of deposits at December 31, 2012 was \$1,363,934, of which the bank balance was \$1,386,734.

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,596,893	\$1,695,532	\$98,639
Special Revenue	929,810	954,141	24,331
Capital Projects	304,096	304,796	700
Trust	1,000	200	(800)
Total	\$2,831,799	\$2,954,669	\$122,870

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$1,800,000	\$1,780,698	\$19,302
Special Revenue	1,233,321	771,553	461,768
Capital Projects	304,570	284,451	20,119
Trust	3,000	1,614	1,386
Total	\$3,340,891	\$2,838,316	\$502,575

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$1,717,150	(\$1,717,150)
Special Revenue	0	415,076	(415,076)
Capital Projects	0	223,643	(223,643)
Trust	0	1,214	(1,214)
Total	\$0	\$2,357,083	(\$2,357,083)

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$0	\$1,785,169	(\$1,785,169)
Special Revenue	0	659,107	(659,107)
Capital Projects	0	214,318	(214,318)
Trust	0	895	(895)
Total	\$0	\$2,659,489	(\$2,659,489)

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (continued)

Contrary to Ohio Revised Code 5705.38(A), the Village could not provide support for appropriations in 2012, nor did they file them with Summit County. It also did not file an official certificate of estimated resources with Summit County contrary to Ohio Revised Code 5705.36. Also, contrary to Ohio Revised Code 5705.41(B) disbursements exceeded appropriations in numerous funds.

4. Property Tax

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

5. Local Income Tax

The Village levies a municipal income tax of 2 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

The Village had no outstanding debt at December 31, 2013.

7. Retirement Systems

The Village's full-time police officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. 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;
- Errors and omissions;
- Employer's Liability;
- Employee Benefits Liability;
- Cemetery Liability.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

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

10. Contingent Liabilities

The Village may be 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.

11. Jointly Governed Organizations

In 1971, 38 municipalities joined together to organize a Regional Council of Governments (RCOG) under the authority of Chapter 167 of the Ohio Revised Code to administer tax collection and enforcement concerns facing the cities and villages. The purpose of the RCOG is to foster cooperation between the municipalities through sharing of facilities for their common benefit. This includes the establishment of a central collection facility for the purpose of administering the income tax laws of the various municipal corporations who are members of the RCOG and for the purpose of collecting income taxes on behalf of each member municipality, doing all things allowed by law to accomplish such purpose.

The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for over 160 municipalities throughout the State of Ohio. Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA. The Council did not receive any funding from the Village during the current year.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITORS' 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Boston Heights, Summit County (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 14, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 finding 2013-02 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2013-01.


We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 14, 2014.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
August 14, 2014

VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-01: Material Noncompliance

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. **Ohio Revised Code Section 5705.36** requires that revenue and resources available for expenditures must be certified. In 2012, the Village passed an appropriation resolution on February 8, 2012 but could not find the actual appropriation resolution which supported the approval. Also, the Village did not certify estimated resources available for appropriation to the County, nor did they submit appropriations to the County.

Ohio Revised Code Section 5705.41(B) requires that budgetary expenditures shall not exceed appropriations. In 2012, budgetary expenditures exceeded appropriation authority in the General Fund by \$1,785,169, the Special Revenue Funds by \$659,107, Capital Projects Funds by \$214,318 and Trust Fund by \$895 due to the lack of an appropriation resolution referred to above. In 2013, budgetary expenditures exceed appropriation authority in the Special Revenue – Parks and Recreation by \$20,302, Fire Capital by \$42,951 and Fire EMS and Operating by \$28,391.

We recommend that the Village monitor its budget closely to prevent expenditures from exceeding appropriations. Also, we recommend the Village retain all appropriation resolutions as support and enter them into the accounting system as they are amended.

Management Response:

This finding was under the old administration. New administration will ensure budgetary documents are prepared properly.

FINDING NUMBER 2013-02: Material Weakness

The Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State. We noted the following posting errors during 2012 and 2013:

In 2012, certain miscellaneous revenues were reclassified to charges for services (\$5,838), fines, licenses and permits (\$4,787), sale of capital assets (\$4,666), income tax (\$11,626) and intergovernmental revenue (\$240,000).

In 2013, certain miscellaneous revenues were reclassified to charges for services (\$1,382), fines, licenses and permits (\$12,470), and sale of capital assets (\$38,000).

Adjustments were made in the financial statements to properly reflect this activity.

Management Response:

The new administration will thoroughly research all transactions and properly enter them into the system.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

The prior audit report, for the years ending December 31, 2011 and 2010, reported no material citations or recommendations.



Dave Yost • Auditor of State

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
SEPTEMBER 23, 2014**