

VILLAGE OF BOSTON HEIGHTS

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2015 and 2014



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Boston Heights, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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

July 18, 2016

This page intentionally left blank.

**Village of Boston Heights
Summit County
For the Years Ended December 31, 2015 and 2014**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - All Fiduciary Fund Types - For the Year Ended December 31, 2015	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2014	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances - All Fiduciary Fund Types - For the Year Ended December 31, 2014	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	16
Schedule of Findings.....	18
Schedule of Prior Audit Findings	19

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Boston Heights, Summit County, (the Village) as of and for the years ended December 31, 2015 and 2014.

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.

Auditor's 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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, 2015 and 2014, 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 June 13, 2016, 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.
June 13, 2016

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, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$230,547	\$266,270	\$19,358	\$516,175
Municipal Income Tax	1,382,197	0	0	1,382,197
Intergovernmental	69,696	137,704	118,819	326,219
Charges for Services	23,527	15,162	92,248	130,937
Fines, Licenses and Permits	253,873	17,876	0	271,749
Earnings on Investments	670	13	1	684
Miscellaneous	71,735	2,296	15,060	89,091
<i>Total Cash Receipts</i>	<u>2,032,245</u>	<u>439,321</u>	<u>245,486</u>	<u>2,717,052</u>
Cash Disbursements				
Current:				
Security of Persons and Property	717,681	99,467	0	817,148
Public Health Services	0	50	0	50
Leisure Time Activities	0	22,657	0	22,657
Transportation	189,996	305,291	1,250,764	1,746,051
General Government	1,164,665	5,052	300	1,170,017
Capital Outlay	51,944	0	24,195	76,139
Debt Service:				
Principal Retirement	0	0	1,075,000	1,075,000
Interest and Fiscal Charges	0	0	7,682	7,682
<i>Total Cash Disbursements</i>	<u>2,124,286</u>	<u>432,517</u>	<u>2,357,941</u>	<u>4,914,744</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(92,041)	6,804	(2,112,455)	(2,197,692)
Other Financing Receipts (Disbursements)				
Sale of Notes	505,000	0	2,855,000	3,360,000
Other Debt Proceeds: OPWC	0	0	23,075	23,075
Other Financing Sources	4	0	0	4
Other Financing Uses	(20,570)	0	0	(20,570)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>484,434</u>	<u>0</u>	<u>2,878,075</u>	<u>3,362,509</u>
<i>Net Change in Fund Cash Balances</i>	392,393	6,804	765,620	1,164,817
<i>Fund Cash Balances, January 1</i>	<u>726,282</u>	<u>528,694</u>	<u>757,138</u>	<u>2,012,114</u>
Fund Cash Balances, December 31				
Nonspendable	9,544	0	0	9,544
Restricted	0	535,498	1,522,758	2,058,256
Unassigned	1,109,131	0	0	1,109,131
<i>Fund Cash Balances, December 31</i>	<u>\$1,118,675</u>	<u>\$535,498</u>	<u>\$1,522,758</u>	<u>\$3,176,931</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, 2015

	Fiduciary Fund Types		Totals (Memorandum Only)
	Agency	Private Purpose Trust	
Operating Cash Receipts			
Fines and Forfeitures	\$298,194	\$0	\$298,194
<i>Total Operating Cash Receipts</i>	298,194	0	298,194
Operating Cash Disbursements			
Distribution of Fines and Forfeitures	296,633	0	296,633
<i>Total Operating Cash Disbursements</i>	296,633	0	296,633
<i>Operating Income</i>	1,561	0	1,561
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	6	0	6
<i>Total Non-Operating Receipts (Disbursements)</i>	6	0	6
<i>Net Change in Fund Cash Balances</i>	1,567	0	1,567
<i>Fund Cash Balances, January 1</i>	28,300	66,078	94,378
<i>Fund Cash Balances, December 31</i>	\$29,867	\$66,078	\$95,945

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, 2014

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$194,487	\$258,983	\$18,298	\$471,768
Municipal Income Tax	1,122,327	0	0	1,122,327
Intergovernmental	218,335	439,342	129,988	787,665
Charges for Services	4,793	18,936	2,548	26,277
Fines, Licenses and Permits	242,498	10,168	0	252,666
Earnings on Investments	502	17	2	521
Miscellaneous	94,974	18,089	15,322	128,385
<i>Total Cash Receipts</i>	<u>1,877,916</u>	<u>745,535</u>	<u>166,158</u>	<u>2,789,609</u>
Cash Disbursements				
Current:				
Security of Persons and Property	909,320	138,886	0	1,048,206
Public Health Services	25,078	1,068	0	26,146
Leisure Time Activities	0	34,835	0	34,835
Transportation	231,969	643,346	744,707	1,620,022
General Government	532,123	28,291	500	560,914
Capital Outlay	17,694	0	241,295	258,989
<i>Total Cash Disbursements</i>	<u>1,716,184</u>	<u>846,426</u>	<u>986,502</u>	<u>3,549,112</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	161,732	(100,891)	(820,344)	(759,503)
Other Financing Receipts (Disbursements)				
Sale of Notes	0	0	1,075,000	1,075,000
Other Debt Proceeds: OPWC	0	0	327,659	327,659
Transfers In	0	0	133,984	133,984
Transfers Out	(133,984)	0	0	(133,984)
Other Financing Uses	(39,395)	0	0	(39,395)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(173,379)</u>	<u>0</u>	<u>1,536,643</u>	<u>1,363,264</u>
<i>Net Change in Fund Cash Balances</i>	(11,647)	(100,891)	716,299	603,761
<i>Fund Cash Balances, January 1</i>	<u>737,929</u>	<u>629,585</u>	<u>40,839</u>	<u>1,408,353</u>
Fund Cash Balances, December 31				
Nonspendable	9,540	0	0	9,540
Restricted	0	528,694	757,138	1,285,832
Unassigned	716,742	0	0	716,742
<i>Fund Cash Balances, December 31</i>	<u>\$726,282</u>	<u>\$528,694</u>	<u>\$757,138</u>	<u>\$2,012,114</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, 2014

	Fiduciary Fund Types		Totals (Memorandum Only)
	Agency	Private Purpose Trust	
Operating Cash Receipts			
Fines and Forfeitures	\$347,848	\$0	\$347,848
<i>Total Operating Cash Receipts</i>	347,848	0	347,848
Operating Cash Disbursements			
Distribution of Fines and Forfeitures	345,331	0	345,331
<i>Total Operating Cash Disbursements</i>	345,331	0	345,331
<i>Operating Income</i>	2,517	0	2,517
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	2,400	0	2,400
<i>Total Non-Operating Receipts (Disbursements)</i>	2,400	0	2,400
<i>Net Change in Fund Cash Balances</i>	4,917	0	4,917
<i>Fund Cash Balances, January 1</i>	23,383	66,078	89,461
<i>Fund Cash Balances, December 31</i>	<u>\$28,300</u>	<u>\$66,078</u>	<u>\$94,378</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, 2015 AND 2014**

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, and police services. The Village contracts with the City of Macedonia to provide dispatch and emergency medical services. It contracts 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 10 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 investments in STAR Ohio recorded at share values the funds report.

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, 2015 AND 2014
(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 construction, maintaining and repairing roads.

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 funds:

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

Other Capital Projects Fund – This fund receives money from grants and the notes issued by the Village for the reconstruction, repair and improvement of roads and water sewer lines.

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 for the benefit of specific lots of the Village 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 and 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, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

1. Appropriations

Budgetary disbursements (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 2015 and 2014 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 (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. 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, 2015 AND 2014
(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. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$2,655,844	\$1,990,093
Total deposits	2,655,844	1,990,093
STAR Ohio	617,032	116,399
Total investments	617,032	116,399
Total deposits and investments	\$3,272,876	\$2,106,492

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,665,306	\$2,537,245	(\$128,061)
Special Revenue	721,630	439,321	(282,309)
Capital Projects	3,088,683	3,123,561	34,878

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$3,059,074	\$2,144,856	\$914,218
Special Revenue	569,726	432,517	137,209
Capital Projects	3,681,210	2,357,941	1,323,269

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,714,557	\$1,877,916	\$163,359
Special Revenue	427,366	745,535	318,169
Capital Projects	1,552,062	1,702,801	150,739

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$2,133,984	\$1,889,563	\$244,421
Special Revenue	1,024,000	846,426	177,574
Capital Projects	1,498,753	986,502	512,251

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.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Various Purpose Bond Anticipation Note, Series 2015	\$3,360,000	5.000%
OPWC Loan: Hines Hill Road	\$327,659	0%
OPWC Loan: Storm Water Reconstruction	23,075	0%
Total	\$3,710,734	

The Various Purpose Bond Anticipation Note (BAN), Series 2015 relates to general road construction projects, Hines Hill Road widening and improvement, storm water reconstruction and tax abatement agreement with Hudson City Schools. The Note was used to pay the 2014 Bond Anticipation Note issued for the road construction and improvement and storm water reconstruction. The Various Purpose BAN, Series 2015 is payable in full in June 2016. The Village is in the process of issuing a long term bond to fund these projects.

The OPWC loans relate to the Hines Hill Road reconstruction and the storm water reconstruction. The loans are payable in 30 and 20 years, respectively.

The Village's taxing authority collateralized the loans.

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

Year ending December 31:	OPWC-Hines Hill	OPWC- Storm Water
2016	\$10,922	\$577
2017	10,922	1,154
2018	10,922	1,154
2019	10,922	1,154
2020	10,922	1,154
2021-2025	54,610	5,770
2026-2030	54,610	5,770
2031-2035	54,610	5,770
2036-2040	54,610	572
2041-2045	54,609	
	\$327,659	\$23,075

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT– (continued)

In 2015, the Village entered into a lease purchase agreement with First Merit Bank for two 2016 Ford police cruisers in the amount of \$81,304 payable in 36 months computed on the basis of interest at the rate of 2.85%. In 2015, the Village also entered in another lease purchase agreement with First Merit Bank for a Ford Truck, trailer and snow plow in the amount of \$86,456 payable in 60 months computed on the basis of interest at the rate of 3.18%. The Village commenced payments on the leases in 2016.

7. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the 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. From January 1, 2014 through June 30, 2014, OP&F participants contributed 10.75% of their wages. From July 1, 2014 through June 30, 2015, OP&F participants contributed 11.50% of their wages. From July 1, 2015 through December 31, 2015, OP&F participants contributed 12.25% of full-time police wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, 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, 2015.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT – (continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014 (the latest information available).

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. CONTINGENT LIABILITIES

The Village may be a 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.

10. 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.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

11. SUBSEQUENT EVENTS

The Village has a pending loan with OPWC in the amount of \$430,000 for the Hines Hill Road. It is expected to be disbursed to the Village in 2016.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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
45E 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 cash balances, receipts, and disbursements by fund type of the Village of Boston Heights, Summit County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 13, 2016, 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 13, 2016.

Entity's Response to Finding

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

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.

June 13, 2016

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness

Our testing revealed several instances where errors were made with respect to the posting and reporting of various transactions. The more significant of these misclassifications included the following:

- In 2014, the Village converted to UAN from the OTAS accounting system and during conversion certain funds were improperly classified: the Private Purpose Trust – Cemetery Fund was classified as Permanent Fund; and the Special Revenue – Fire Capital was classified as a Capital Projects Fund.
- In 2014, the Village made adjustments in its accounts after a cash reconciliation review done by LGS in 2013. One adjustment was made against the Road Levy Fund when it should have been made in the General Fund.
- In 2014, the Village issued a Various Purpose Bond Anticipation Note (BAN), Series 2014 to fund several road projects. The proceeds were improperly posted in the Debt Service Fund. The payments to contractors for these projects were also recorded in the Debt Service Fund.
- In 2015, the Village issued another Various Purpose BAN, Series 2015 Note to pay off the BAN, Series 2014 and to pay for a tax abatement agreement with another local government entity. The proceeds and the payment transactions were also improperly posted in the Debt Service Fund. Adjustments were made to reclassify these transactions under the Capital Projects Fund and the General Fund.
- In 2014 and 2015, the Village improperly classified certain grants, state distribution monies and fees (franchises and tax collection fees) under miscellaneous revenue or other financing uses rather than Intergovernmental receipts.

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

The Village Officers' Handbook and UAN manual 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.

Management Response:

The first half of the year 2014 was an overwhelming year; converting from OTAS to UAN was a nightmare. Errors were made during the conversion. When we purchased the bank notes in 2014, the Village made sure it was done properly, however the requirements were not described very well and the funds were categorized incorrectly. All these issues have been corrected in 2016.

**VILLAGE OF BOSTON HEIGHTS
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-01	ORC Section 5705.38(A) –certification of estimated resources ORC Section 5705.41(B) –budgetary expenditures shall not exceed appropriations	Yes	Finding no longer valid
2013-02	Classification of accounts	No	Repeated as Finding 2015-001



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
JULY 28, 2016