

***VILLAGE OF BOSTON HEIGHTS***

***SUMMIT COUNTY***

**Audit Report**

**For the Years Ended December 31, 2017 and 2016**







# Dave Yost • Auditor of State

Village Council  
Village of Boston Heights  
45 E. Boston Mills Rd  
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, 2016 through December 31, 2017. 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

October 26, 2018

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**VILLAGE OF BOSTON HEIGHTS  
SUMMIT COUNTY**

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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*

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**INDEPENDENT AUDITOR'S REPORT**

Village of Boston Heights  
Summit County  
45 E. Boston Mills Road  
Boston Heights, Ohio 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, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

***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 such 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 2 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, 2017 and 2016, and the changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Boston Heights, Summit County as of December 31, 2017 and 2016, 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2018, 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.**  
July 26, 2018



**Village of Boston Heights, Ohio**  
*Summit County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$247,679	\$276,739	\$0	\$21,870	\$546,288
Municipal Income Tax	2,317,309	0	135,000	0	2,452,309
Intergovernmental	72,143	202,691	0	0	274,834
Charges for Services	3,712	20,330	0	0	24,042
Fines, Licenses and Permits	238,223	10,137	0	0	248,360
Earnings on Investments	6,755	15	0	0	6,770
Miscellaneous	100,029	8,833	0	0	108,862
<i>Total Cash Receipts</i>	<u>2,985,850</u>	<u>518,745</u>	<u>135,000</u>	<u>21,870</u>	<u>3,661,465</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	936,772	63,929	0	0	1,000,701
Public Health Services	460	0	0	0	460
Leisure Time Activities	0	34,204	0	0	34,204
Basic Utility Services	0	69,757	0	0	69,757
Transportation	242,595	223,790	0	0	466,385
General Government	699,058	0	0	303	699,361
Capital Outlay	137,324	23,633	0	489,542	650,499
Debt Service:					
Principal Retirement	0	0	0	3,369,049	3,369,049
Interest and Fiscal Charges	0	0	57,175	38,640	95,815
<i>Total Cash Disbursements</i>	<u>2,016,209</u>	<u>415,313</u>	<u>57,175</u>	<u>3,897,534</u>	<u>6,386,231</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	969,641	103,432	77,825	(3,875,664)	(2,724,766)
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Bonds	0	0	0	3,835,000	3,835,000
Sale of Capital Assets	165,392	0	0	0	165,392
Other Financing Uses	(135,703)	0	0	0	(135,703)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>29,689</u>	<u>0</u>	<u>0</u>	<u>3,835,000</u>	<u>3,864,689</u>
<i>Net Change in Fund Cash Balances</i>	999,330	103,432	77,825	(40,664)	1,139,923
<i>Fund Cash Balances, January 1</i>	<u>1,314,095</u>	<u>510,685</u>	<u>0</u>	<u>170,352</u>	<u>1,995,132</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	16,250	0	0	0	16,250
Restricted	0	614,117	0	129,688	743,805
Committed	0	0	77,825	0	77,825
Assigned	23,942	0	0	0	23,942
Unassigned	2,273,233	0	0	0	2,273,233
<i>Fund Cash Balances, December 31</i>	<u>\$2,313,425</u>	<u>\$614,117</u>	<u>\$77,825</u>	<u>\$129,688</u>	<u>\$3,135,055</u>

*See accompanying notes to the basic financial statements*

**Village of Boston Heights, Ohio**  
*Summit County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Fiduciary Fund Types**  
*For the Year Ended December 31, 2017*

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Fines, Licenses and Permits	\$312,497	\$0	\$312,497
Earnings on Investments	0	3	3
<i>Total Operating Cash Receipts</i>	312,497	3	312,500
<b>Operating Cash Disbursements</b>			
Distribution of Fines and Forfeitures	305,599	0	305,599
<i>Total Operating Cash Disbursements</i>	305,599	0	305,599
<i>Operating Income (Loss)</i>	6,898	3	6,901
<b>Non-Operating Receipts (Disbursements)</b>			
Other Financing Sources	26,506	0	26,506
Other Financing Uses	(37,996)	0	(37,996)
<i>Total Non-Operating Receipts (Disbursements)</i>	(11,490)	0	(11,490)
<i>Net Change in Fund Cash Balances</i>	(4,592)	3	(4,589)
<i>Fund Cash Balances, January 1</i>	104,633	66,078	170,711
<i>Fund Cash Balances, December 31</i>	<u>\$100,041</u>	<u>\$66,081</u>	<u>\$166,122</u>

*See accompanying notes to the basic financial statements*

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The Village of Boston Heights, Summit County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, park operations, and police protection services. The Village contracts with the City of Macedonia to provide dispatch and emergency medical services and with the Valley Fire District for fire protection.

***Jointly Governed Organization***

The Village participates in the Regional Council of Governments (RCOG), a jointly governed organization. Note 12 to the financial statements provides additional information for this entity.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc (OPRM), a public entity risk pool. Note 6 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Road Levy Fund*** The road levy fund accounts for and reports the portion of property tax money generated from a special levy and income tax money for the purpose of constructing, maintaining and repairing Village roads.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Debt Service Funds** These funds account for and report financial resources that are restricted to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

**Bond Retirement Fund** The bond retirement fund accounts for and reports a percentage of income tax receipt to repay the general obligation bonds.

**Capital Project Funds** These funds account for and report financial resources that are restricted 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:

**Other Capital Projects Fund** This fund accounts for and reports the receipt of monies from grants and the notes issued by the Village for the reconstruction, repair and improvement of roads and water sewer lines.

**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.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (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 disbursements 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.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

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

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

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

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

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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

**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 Council or a Village official delegated that authority by resolution, or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget in the General Fund.

**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.

**Note 3 – Compliance**

Contrary to Ohio law §5705.41(B), budgetary expenditures exceeded appropriation authority in the Capital Projects Fund for the year ended December 31, 2017. Also contrary to Ohio law §5705.41(D), several expenditures were not properly certified.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,161,343	\$ 3,151,242	\$ 989,899
Special Revenue	545,567	518,745	(26,822)
Debt Service	-	135,000	135,000
Capital Projects	4,495,791	3,856,870	(638,921)
Private Purpose Trust	-	3	3

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 4 – Budgetary Activity (continued)**

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,820,594	\$ 2,175,854	\$ 644,740
Special Revenue	602,081	425,897	176,184
Debt Service	135,000	57,175	77,825
Capital Projects	3,854,250	3,897,534	(43,284)
Private Purpose Trust	-	-	-

**Note 5 – 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:

	2017
Demand deposits	\$ 2,675,099
Total deposits	2,675,099
STAR Ohio	626,078
Total investments	626,078
Total deposits and investments	\$ 3,301,177

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

***Investments***

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

**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Taxes (continued)**

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.

***Local Income Taxes***

The Village levies a municipal income tax of 2% 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.

**Note 7 – Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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.



**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 – Risk Management (continued)**

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016 (latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members’ Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most of the Village’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

***Ohio Police and Fire Pension Fund***

All of the Village’s full-time Police Officers and certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages and 24% of full-time fire fighters’ wages, respectively. The Village has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1% during calendar year 2017, and OP&F contributed 0.5% to fund these benefits.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 10 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$3,835,000	2.000-3.625%
OPWC Loan: <i>Hines Hill Road</i>	305,815	0.00%
OPWC Loan: <i>Hines Hill Road Phase II</i>	211,695	0.00%
Total	\$4,352,510	

The Village issued general obligation bonds to refund a portion of the 2016 notes previously issued and to pay the costs of a recreational bike trail and other road and capital improvements in the Village. The bonds were issued at interest rates ranging from 2.000% to 3.625% and payable over 25 years and six months. The notes will be paid from local taxes and street funds.

The OPWC Hines Hill loan is for the Hines Hill road and storm water reconstruction. The Village made payments in its OPWC loans using some proceeds from the general obligation bonds. The loans have a maturity of 30 years at 0% interest. The loan will be paid from local taxes and street funds.

***Leases***

In 2016, the Village entered into a lease purchase agreement with US Bank for a 2015 Ford F750 in the amount of \$96,900 payable in 72 months computed on the basis of interest rate at the rate of 2.95%. The Village paid \$17,882 on this lease in 2017.

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%. The Village paid \$28,468 on this lease in 2017.

In 2015, the Village entered into a 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 paid \$18,841 on this lease in 2017.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 10 – Debt (continued)**

***Amortization***

The amortization of the debts, including interest, is scheduled as follows:

Year ending December 31:	OPWC- Hines Hill	OPWC- Hines Hill Phase II	GO VP Bonds, Series 2017
2018	\$ 10,922	\$ 7,176	\$ 233,719
2019	10,922	7,176	236,319
2020	10,922	7,176	243,818
2021	10,922	7,176	241,119
2022	10,922	7,176	233,418
2023-2027	54,610	35,880	1,173,618
2028-2032	54,610	35,880	1,147,468
2033-2037	54,610	35,880	1,154,106
2038-2042	54,610	35,880	888,995
2043-2047	32,765	32,295	0
Total	<u>\$ 305,815</u>	<u>\$ 211,695</u>	<u>\$ 5,552,580</u>

**Note 11 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Note 12 – 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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**Village of Boston Heights, Ohio**  
*Summit County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$238,686	\$267,349	\$20,605	\$526,640
Municipal Income Tax	1,745,161	0	0	1,745,161
Intergovernmental	52,833	125,470	1,095,828	1,274,131
Charges for Services	2,610	15,744	0	18,354
Fines, Licenses and Permits	250,878	9,226	0	260,104
Earnings on Investments	2,336	11	1	2,348
Miscellaneous	63,777	5,132	110	69,019
<i>Total Cash Receipts</i>	<u>2,356,281</u>	<u>422,932</u>	<u>1,116,544</u>	<u>3,895,757</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	889,000	79,184	0	968,184
Public Health Services	25,258	0	0	25,258
Leisure Time Activities	0	24,293	0	24,293
Basic Utility Services	19,711	0	0	19,711
Transportation	230,734	330,605	332	561,671
General Government	628,664	6,052	63,615	698,331
Capital Outlay	378,724	7,611	2,462,828	2,849,163
Debt Service:				
Principal Retirement	0	0	3,399,458	3,399,458
Interest and Fiscal Charges	0	0	20,901	20,901
<i>Total Cash Disbursements</i>	<u>2,172,091</u>	<u>447,745</u>	<u>5,947,134</u>	<u>8,566,970</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	184,190	(24,813)	(4,830,590)	(4,671,213)
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Bonds	0	0	3,360,000	3,360,000
Other Debt Proceeds-OPWC	0	0	215,283	215,283
Payment to Refunded Bond Escrow Agent	0	0	500	500
Sale of Capital Assets	24,206	0	0	24,206
Other Financing Uses	(13,209)	0	0	(13,209)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,997</u>	<u>0</u>	<u>3,575,783</u>	<u>3,586,780</u>
<i>Net Change in Fund Cash Balances</i>	195,187	(24,813)	(1,254,807)	(1,084,433)
<i>Fund Cash Balances, January 1 (Note 13)</i>	<u>1,118,908</u>	<u>535,498</u>	<u>1,425,159</u>	<u>3,079,565</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	16,250	0	0	16,250
Restricted	0	510,685	170,352	681,037
Assigned	20,594	0	0	20,594
Unassigned	1,277,251	0	0	1,277,251
<i>Fund Cash Balances, December 31</i>	<u>\$1,314,095</u>	<u>\$510,685</u>	<u>\$170,352</u>	<u>\$1,995,132</u>

*See accompanying notes to the basic financial statements*

**Village of Boston Heights, Ohio**  
*Summit County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Fiduciary Fund Types		Totals
	Agency	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Fines and Forfeitures	\$305,484	\$0	\$305,484
<i>Total Operating Cash Receipts</i>	305,484	0	305,484
<b>Operating Cash Disbursements</b>			
Distribution of Fines and Forfeitures	313,108	0	313,108
<i>Total Operating Cash Disbursements</i>	313,108	0	313,108
<i>Operating Income (Loss)</i>	(7,624)	0	(7,624)
<b>Non-Operating Receipts (Disbursements)</b>			
Other expense	(6,706)		(6,706)
Other Financing Sources	28,273		28,273
Other Financing Uses	(18,975)	0	(18,975)
<i>Total Non-Operating Receipts (Disbursements)</i>	2,592	0	2,592
<i>Net Change in Fund Cash Balances</i>	(5,032)	0	(5,032)
<i>Fund Cash Balances, January 1</i>	109,665	66,078	175,743
<i>Fund Cash Balances, December 31</i>	<u>\$104,633</u>	<u>\$66,078</u>	<u>\$170,711</u>

*See accompanying notes to the basic financial statements*

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The Village of Boston Heights, Summit County, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, park operations, and police protection services. The Village contracts with the City of Macedonia to provide dispatch and emergency medical services. The Village also contracts with the Valley Fire District for fire protection.

***Jointly Governed Organization***

The Village participates in the Regional Council of Governments (RCOG), a jointly governed organization. Note 12 to the financial statements provides additional information for this entity.

***Public Entity Risk Pool***

The Village participates in the Ohio Plan Risk Management, Inc (OPRM), a public entity risk pool. Note 7 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

***Road Levy Fund*** The road levy fund accounts for and reports the portion of property tax money generated from a special levy and income tax money for the purpose of constructing, maintaining and repairing Village roads.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Capital Project Funds** These funds account for and report financial resources that are restricted 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:

**Other Capital Projects Fund** This fund accounts for and reports the receipt of monies from grants and the notes issued by the Village for the reconstruction, repair and improvement of roads and water sewer lines.

**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 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.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (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 disbursements 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.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

**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.



**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

***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 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

***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.

***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*  
*For the Year Ended December 31, 2016*

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**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. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year’s appropriated budget.

**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.

**Note 3 – Compliance**

Contrary to Ohio law §5705.41(B), budgetary expenditures exceeded appropriation authority in the Capital Projects Fund for the year ended December 31, 2016. Also contrary to Ohio law §5705.41(D), several expenditures were not properly certified.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,186,237	\$ 2,380,487	\$ 194,250
Special Revenue	527,404	422,932	(104,472)
Capital Projects	3,380,510	4,692,327	1,311,817
Private Purpose Trust	-	-	-

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 4 – Budgetary Activity (continued)**

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,683,804	\$ 2,205,894	\$ 477,910
Special Revenue	935,810	460,246	475,564
Capital Projects	3,368,169	5,947,134	(2,578,965)
Private Purpose Trust	-	-	-

**Note 5 – 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:

	2016
Demand deposits	\$ 1,546,508
Total deposits	1,546,508
STAR Ohio	619,335
Total investments	619,335
Total deposits and investments	\$ 2,165,843

***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.

**Note 6 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 – Taxes (continued)**

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.

***Local Income Taxes***

The Village levies a municipal income tax of two 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.

**Note 7 – Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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, 2016.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 – Risk Management (continued)**

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most of the Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Ohio Police and Fire Retirement System***

All of the Village's full-time Police Officers and certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Various Purpose Bond Anticipation Note, Series 2016	\$ 3,360,000	5.00%
OPWC, Hines Hill (CT13Q)	311,276	0.00%
OPWC, Hines Hill, Ph II (CT21S)	215,283	0.00%
Total	\$ 3,886,559	

The Village issued a Various Purpose Bond Anticipation Note, Series 2016 in anticipation of the issuance of bonds, to refund a portion of notes previously issued to pay the costs and debts incurred for various improvements in the Village. The notes relate to the costs of constructing, reconstructing, widening and improving Hines Hill Road, relocating sanitary sewer lines, resurfacing and improving certain streets in the Village, improving the water system and installing water service connections. The note is payable in full in May 2017.

The OPWC Hines Hill loan is for the Hines Hill road and storm water reconstruction. The Village plans to make payments of the OPWC Hines Hill project using some proceeds from the Various Purpose Bond Anticipation Note. In 2016, the Village obtained another OPWC loan for \$215,283 for Phase II of the Hines Hill Project. The loans have a maturity of 30 years at 0% interest.

***Leases***

In 2016, the Village entered into a lease purchase agreement with US Bank for a 2015 Ford F750 in the amount of \$96,900 payable in 72 months computed on the basis of interest rate at the rate of 2.95%. Payment on the lease will commence in 2017.

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%, of which \$14,235 was paid in December 2015. In 2016, it made total payments of \$28,469.

In 2015, the Village entered into a 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%, of which \$9,420 was paid in December 2015. In 2016, it made total payments of \$18,841.

**Village of Boston Heights**  
*Summit County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 10 – Debt – (continued)**

***Amortization***

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

Year ending December 31:	Various Purpose BAN, Series 2016	OPWC- Hines Hill	OPWC -Hines Hill, Ph II
2017	\$3,398,640	\$ 10,922	\$7,176
2018		10,922	7,176
2019		10,922	7,176
2020		10,922	7,176
2021		10,922	7,176
2022-2026		54,610	35,880
2027-2031		54,610	35,880
2032-2036		54,610	35,880
2037-2041		54,610	35,880
2042-2046		38,226	35,883
Total	<u>\$ 3,398,640</u>	<u>\$ 311,276</u>	<u>\$ 215,283</u>

**Note 11 – Contingent Liabilities**

The Village may be defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

**Note 12 – 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*  
*For the Year Ended December 31, 2016*

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**Note 13 – Fund Balance**

The General Fund balance was adjusted for \$233 due to void checks added back to the system.

The Capital Projects – Bridge Fund was adjusted by \$17,801 due to a double booking of an OPWC grant in prior years.

The Capital Projects – Performance Bonds are guarantee bonds from contractor deposits. These were reclassified to Agency Fund – Contractor Deposits.

The effect on the beginning 2016 balance is shown below.

	<u>2015 ending balance</u>	<u>Adjustment</u>	<u>Beginning 2016</u>
General Fund	\$ 1,118,675	\$ 233	\$ 1,118,908
Capital Projects Fund	1,522,758	(97,599)	1,425,159
Agency Fund	29,867	79,798	109,665



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*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Boston Heights, Summit County (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated July 26, 2018, 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**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and that we consider to be a material weakness as item 2017-001.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2017-002 and 2017-003.

***Village's Responses to Findings***

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

**Purpose of this Report**

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



***Charles E. Harris & Associates, Inc.***

July 26, 2018

VILLAGE OF BOSTON HEIGHTS  
SUMMIT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016

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

**FINDING NUMBER 2017-001  
Material Weakness**

**Audit Adjustments and Reclassifications:**

During 2017 and 2016, several errors were noted in the Village's financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- General obligation bonds issued in 2017 in the amount of \$3,835,000 were booked in the Debt Service Fund. These were reclassified into the Capital Projects Fund. The subsequent payments of the Bond Anticipation Notes, Series 2016 booked in the Debt Service Fund were reclassified as paid from the Capital Projects Fund. Bond Anticipation Notes issued in 2016 in the amount of \$3,360,500 were booked in the Debt Service Fund. These were reclassified into the Capital Projects Fund. The subsequent payments of the Bond Anticipation Notes, Series 2015 booked in the Debt Service Fund were reclassified as paid from the Capital Projects Fund.
- The original amounts reported as Other Financing Uses in 2017 and 2016 were \$594,781 and \$782,351, respectively, consisting mostly of payments to Valley Fire District for Fire/EMS contract, car leases or purchases, fees for property and local tax collection from the county and RITA, and other capital outlay expenses. These were reclassified into their proper account function codes.
- The original Miscellaneous Revenues reported were \$292,582 and \$104,452 in 2017 and 2016, respectively, consisting of sales of capital assets, franchise fees and grants. These were reclassified into their proper revenue accounts.
- The Village received performance bonds from contractors as guarantee deposits related to major road projects which were booked in the Capital Projects – Bond Construction Fund. The Village reclassified these funds as Agency Fund – Performance Bonds, by making a transfer from Capital Projects to Agency Fund. The transfers were reversed and a prior period adjustment was made to reclassify the fund into an agency fund.
- The Homestead and Rollbacks from the state were booked as property taxes instead of Intergovernmental Revenue.

The accompanying financial statements and the Village's records have been adjusted to properly reflect these transactions.

VILLAGE OF BOSTON HEIGHTS  
SUMMIT COUNTY

SCHEDULE OF FINDINGS - Continued  
DECEMBER 31, 2017 AND 2016

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

**FINDING NUMBER 2017-001 - Continued**

Sound financial reporting is the responsibility of the Village and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Village adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Village Officers' Handbook, the Uniform Accounting Network Manual, and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

**Management Response:**

See Corrective Action Plan.

**FINDING NUMBER 2017-002  
Material Non-Compliance**

**Expenditures Exceeded Appropriations:**

Ohio Rev. Code § 5705.41(B) provides that expenditures shall not exceed appropriations. We noted the Village's disbursements exceeded appropriations in the Capital Projects - Other Capital Projects Fund by \$43,284 in 2017 and \$2.6 million in 2016.

We recommend that the Village monitor its budget and amend appropriations as necessary to avoid going over budget and having its disbursements exceeding its appropriations.

**Management Response:**

See Corrective Action Plan.

**FINDING NUMBER 2017-003  
Material Non-Compliance**

**Certification of Expenditures:**

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

VILLAGE OF BOSTON HEIGHTS  
SUMMIT COUNTY

SCHEDULE OF FINDINGS - Continued  
DECEMBER 31, 2017 AND 2016

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

**FINDING NUMBER 2017-003 - Continued**

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the Village can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by ordinance or resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not make the proper certification of funds in 37% of tested transactions

VILLAGE OF BOSTON HEIGHTS  
SUMMIT COUNTY

SCHEDULE OF FINDINGS - Continued  
DECEMBER 31, 2017 AND 2016

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

**FINDING NUMBER 2017-003 - Continued**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability.

**Management Response:**

See Corrective Action Plan.

**VILLAGE OF BOSTON HEIGHTS  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Explanation</b>
2015-001	Material Weakness – Classification of Accounts	Not Corrected	Repeated as Finding 2017- 001

**VILLAGE OF BOSTON HEIGHTS  
SUMMIT COUNTY**

**CORRECTIVE ACTION PLAN – Prepared by Management  
December 31, 2017 and 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	We will review the UAN manual and Village Officers' Handbook for proper fund account classification. We will also discuss and consult accounting professionals regarding certain accounting issues that may arise.	Immediately	Betty Klingenberg, Fiscal Officer
2017-002	We will monitor regularly budget and actual expenses and amend appropriations to be in compliance with Ohio Rev. Code 57053.41(B).	Immediately	Betty Klingenberg, Fiscal Officer
2017-003	This is a departmental issue as other departments sometimes make the purchases without making proper requisition request. It is also hard to encumber funds ahead of time given the limited revenues received in certain periods. We will require the requisition forms be filed before any purchases can be made. And if necessary, we will implement the use of Then and Now certificates to be in compliance with Ohio Rev. Code 5705.41(D).	Immediately	Betty Klingenberg, Fiscal Officer





# 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  
NOVEMBER 8, 2018