



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF WINDHAM
PORTAGE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Windham
Portage County
9621 East Center Street
Windham, Ohio 44288

To the Village Council:

We have audited the accompanying financial statements of the Village of Windham (the Village) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

November 12, 2002

VILLAGE OF WINDHAM
PORTAGE COUNTY

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$388,338	\$62,905	\$35,433	\$486,676
Intergovernmental Receipts	170,927	84,496	52,828	308,251
Charges for Services	22,633	12,775		35,408
Fines, Licenses, and Permits	18,961			18,961
Earnings on Investments	11,893	3,055		14,948
Miscellaneous	20,482	34,279		54,761
Total Cash Receipts	633,234	197,510	88,261	919,005
Cash Disbursements:				
Current:				
Security of Persons and Property	481,059	14,559		495,618
Leisure Time Activities	3,669			3,669
Community Environment	2,784	97,539		100,323
Transportation	23,874	70,525		94,399
General Government	132,197	60,453		192,650
Debt Service:				
Principal Payments		24,056		24,056
Interest Payments		4,318		4,318
Capital Outlay	57,846	4,295	52,828	114,969
Total Cash Disbursements	701,429	275,745	52,828	1,030,002
Total Receipts Over/(Under) Disbursements	<u>(68,195)</u>	<u>(78,235)</u>	<u>35,433</u>	<u>(110,997)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	21,289	8,083		29,372
Advances-In	35,328			35,328
Transfers-Out	(5,083)	(24,289)		(29,372)
Advances-Out		(35,328)		(35,328)
Other Sources				
Total Other Financing Receipts/(Disbursements)	51,534	(51,534)		
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(16,661)	(129,769)	35,433	(110,997)
Fund Cash Balances, January 1	42,930	289,606	21,439	353,975
Fund Cash Balances, December 31	<u>\$26,269</u>	<u>\$159,837</u>	<u>\$56,872</u>	<u>\$242,978</u>
Reserves for Encumbrances, December 31	<u>\$70,957</u>	<u>\$71,407</u>	<u>\$0</u>	<u>\$142,364</u>

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

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$642,189
Interest	886
Miscellaneous	9,461
	652,536
Total Operating Cash Receipts	652,536
Operating Cash Disbursements:	
Personal Services	190,084
Fringe Benefits	72,671
Travel Transportation	149,734
Contractual Services	138,586
Supplies and Materials	30,069
Miscellaneous	768
	581,912
Total Operating Cash Disbursements	581,912
Operating Income	70,624
Non-Operating Cash Receipts:	
Special Assessments	215,700
Other Non-Operating Receipts	11,280
	226,980
Total Non-Operating Cash Receipts	226,980
Non-Operating Cash Disbursements:	
Debt Service-Principal	143,388
Debt Service-Interest	74,334
	217,722
Total Non-Operating Cash Disbursements	217,722
Net Receipts Over Disbursements	79,882
Fund Cash Balances, January 1	226,112
Fund Cash Balances, December 31	\$305,994
Reserve for Encumbrances, December 31	\$31,969

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

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Windham, Portage County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Windham Township to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Investments are limited to interest bearing checking and saving accounts.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Income Tax Fund – This fund is used to account for the operation of the income tax department.

Community Development Revolving Loan Fund – This fund receives payment of principal and interest which is then recycled.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility. Also, the Water Fund is used to accumulate resources for the payment of bonds and note indebtedness.

Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility. Also, the Sewer Fund is used to accumulate resources for the payment of bonds and note indebtedness.

Enterprise Debt Service Reserve Fund - This fund records special assessments received and the subsequent payment of principal and interest.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

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

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was \$548,972.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$834,740	\$654,523	(\$ 180,217)
Special Revenue Funds	850,474	205,593	(644,881)
Capital Project Fund	207,440	88,261	(119,179)
Enterprise Funds	<u>1,004,256</u>	<u>879,516</u>	<u>(124,740)</u>
Total	<u>\$2,896,910</u>	<u>\$1,827,893</u>	<u>(\$ 1,069,017)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$820,220	\$777,469	\$ 42,751
Special Revenue Funds	515,700	371,441	144,259
Capital Project Fund	207,440	52,828	(52,828)
Enterprise Funds	<u>904,050</u>	<u>831,603</u>	<u>72,447</u>
Total	<u>\$2,239,970</u>	<u>\$1,827,893</u>	<u>\$ 206,629</u>

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Law, the Village did not properly encumbered, did not file timely amended certificates of estimated resources, and budgetary expenditures in the following funds exceeded appropriation authority during 2001:

<u>Fund</u>	<u>Amount exceeded</u>
Crime Prevention Fund	\$ 15,557
Revolving Loan Fund	\$ 97,539
Police Crime Prevention Fund	\$ 174
Police Drug Fund	\$ 1,284
Police DUI Fund	\$ 416
State Fund	\$ 35,064
COPS FAST 1	\$ 806
COPS FAST 2	\$ 14,374
COPS FAST	\$ 234

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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. The Village Ordinance Number 925, Ordinance 14.44, and Resolution 70-11-5, require mandatory income tax filing. For year 2001 \$401,144 was received in income tax. These receipts were allocated to the following funds:

\$ 316,483 General Fund,
\$ 49,228 Special Revenue Fund, and
\$ 35,433 Capital Project Fund.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,210,204	2.00%
General Obligation Notes	47,849	6.50%
Mortgage Revenue Bonds	824,650	5.75%
Total	<u>\$ 2,082,703</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Notes were issued in 2000 to purchase three police cruisers. The notes are collateralized by the Village's taxing authority.

The Mortgage Revenue Bonds are for waterworks system improvements and payable to the USDA. Property and revenue of the utility facilities have been pledged to repay these debts. The Village has agreed to set utility rates sufficient to cover the USDA debt service requirements.

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

	<u>OWDA Loan</u>	<u>General Obligation Notes</u>	<u>Mortgage Revenue Bonds</u>
Year ending December 31:			
2002	\$155,536	\$26,771	\$62,380
2003	155,536	26,771	61,518
2004	155,536		61,655
2005	155,536		61,735
2006	155,526		61,735
2007 - 2011	701,757		308,863
2012 - 2016			309,203
2017 - 2021			309,019
2022 - 2026			309,807
2027			62,185
Total	<u>\$1,479,427</u>	<u>\$53,542</u>	<u>\$1,608,100</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

7. RETIREMENT SYSTEMS (Continued)

Contrary to Ohio Law, 2001's contributions to PERS and OP&F were not paid on time, resulting in penalty and interest charges against the Village. The contributions due PERS were \$49,198 and the contributions due PF&F were \$18,965 at December 31, 2001. The Village's December 31, 2001 financial statements reflect these payments as paid because the checks were written, but not submitted.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. WINDHAM TOWNSHIP FIRE DISTRICT

The Windham Township Board of Trustees has established the Windham Township Fire District which provides fire protection services. The Fire District includes the Village of Windham and the Township.

The Windham Township Fire District is funded by a 1.0 mill current operating levy, a 1.0 mill equipment levy and any additional expenses in excess of the current operating levy budget is split equally between the Township and the Village.

The operating levy was replaced on November 2, 1999 by a new five year levy commencing in 1999, first due in calendar year 2000.

The equipment levy is for the purpose of providing and maintaining fire apparatus and appliance or to purchase ambulance equipment pursuant to Revised Code Section 5705.19. This levy was replaced on November 7, 2000 by a five year levy commencing in 2000, first due in calendar year 2001.

Levy activity for the year ended December 31, 2000 (last audited year available) follows:

2000 Activity	Current Operating Levy	Equipment Levy
Fund Balance as of January 1	\$ 28,720	\$ 107,633
Total Tax Receipts	40,252	36,829
Transfer in from the General Fund	1,826	6,622
Total Expenditures	<u>(36,785)</u>	<u>(12,279)</u>
Ending Fund Balance as of December 31	<u><u>\$ 34,013</u></u>	<u><u>\$ 138,805</u></u>

Financial information is available from: Windham Township, 9708 Windham-Parkman Road, Windham, Ohio 44288. There is an *Agreement of Operation* between the Township and the Village which outlines each party's agreed upon responsibilities. The *Agreement of Operation* was effective from January 1, 2000 through December 31, 2001.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

10. SUBSEQUENT EVENTS

1. Changes in Personnel within the Administrative Offices

Ordinance Number 1545 created a full-time position of Utility Clerk/Administrative Assistant.

Ordinance Number 1550 created a full-time position of Income Tax Administrator/Assistant Village Clerk.

Ordinance Number 1552 appointed the Utility Clerk/Administrative Assistant the additional duties to be the Acting Treasurer upon the resignation of the Village Treasurer.

Ordinance Numbers 1553 and 1554 combined the duties of the Village Clerk and Village Treasurer into one office and created the position of a Village Fiscal Officer, effective as of the November 2003 election.

Ordinance Number 1559 created the position of a Part-Time Water/Sewer Clerk.

Ordinance Number 1564 appointed the Income Tax Administrator/Assistant Village Clerk the additional duties of temporary Acting Village Clerk upon the resignation of the Village Clerk.

2 Advances

On August 13, 2002, an advance of \$30,000 was made from the Permanent Improvement Fund to the General Fund to cover operating expenses.

On October 8, 2002, an advance of \$21,000 was made from the Water Deposit Fund (an escrow account to hold customer deposits) to the General Fund for cash flow.

Per the Village minutes these advances are to be paid back before December 31, 2002.

11. Non-compliance

Failure to Perform Duties – Contrary to Ohio Law, the Village Clerk, Village Treasurer, Village Administrator, and Mayor fail to perform certain statutory duties during 2001. In order to correct this problem, the Village's Council is merging the elected office of the Clerk and Treasurer, and replacing the elected Clerk-Treasurer with an appointed Village Fiscal Officer.

Transfer – Contrary to Ohio Law, the Village made transfers without approval of the Village Council, the Tax Commissioner, or the Court of Common Pleas from the Income Tax Fund, Crime Prevention Fund, and State Highway Fund.

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OFFICE OF THE AUDITOR**

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

Village of Windham
Portage County
9621 East Center Street
Windham, Ohio 44288

To the Village Council:

We have audited the accompanying financial statements of the Village of Windham (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated November 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-31167-001 through 2001-31167-011. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 12, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention that, in our judgment, could adversely affect Windham Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-31167-012 through 2001-31167-014.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-31167-013 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 12, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

November 12, 2002

VILLAGE OF WINDHAM
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001

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

<i>Finding Number</i>	2001-31167-001
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Noncompliance Citation
Timely Payments to Retirement Systems

Ohio Rev. Code Sections 145.47 and 145.48 state that the Public Employees Retirement System (PERS) requires payment of 13.55% for the employer's share and 8.5% for the employees' share of wages for members. **Ohio Rev. Code Section Sections 742.31 and 742.33** state that the Ohio Police and Fire Pension Fund (OPFPF) requires payment of 19.5% for the employers share of wages for all full-time police, and 10% for the employees share.

Per correspondence with the OPFPF, they stated that the Village Clerk was contacted repeatedly to notify her that many of the payments for the employer and employee shares of the pension were not made during 2000 or 2001. They also stated that interest on past-due payments was already subjected to a 5% penalty, and is currently accruing interest at 8.25% annually. The Controller of the OPFPF has compiled a listing of the amount in arrears that is owed by the Village. The amount owed to the OPFPF as of December 31, 2001 was \$18,965.15.

The Clerk was late in disbursing these payments in fiscal year 2001 to OPFPF which resulted in penalties and interest fees related to the year 2001 of \$1,680.

The Village also owes PERS for past due payments. The Village had a past due balance of \$49,198 at December 31, 2001. Total penalty and interest charges accrued for PERS was \$4,221. The Clerk has reimbursed the Village for the penalty and interest charges, and the Village has satisfied these obligations.

<i>Finding Number</i>	2001-31167-002
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Noncompliance Citation
Not Properly Encumbering

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides for two exceptions to the above requirement:

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

**FINDING NUMBER 2001-31167-002
(Continued)**

For 55% of the expenditures selected for testing during the audit period, the Clerk's certification of the availability of funds was not made prior to a purchase commitment; and the above exceptions were not applied.

Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated.

We recommend the Village establish control policies and procedures to help ensure purchases are certified and encumbered prior to the time of the purchase.

Finding Number	2001-31167-003
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**Noncompliance Citation
Failure to Perform Duties – Village Clerk - Minutes**

Ohio Rev. Code Section 121.22(C) states that the minutes of a regular or special meeting of any public body shall be promptly prepared, filed and maintained, and shall be open to public inspection. **Ohio Rev. Code Section 733.27** states that the village clerk shall attend all meetings of the council and keep a record of its proceedings and of all rules, bylaws, resolutions, and ordinances passed or adopted.

The Village of Windham's *Book of Ordinances* were not complete and up-to-date for the audit period. Council's ordinances were only available up to February of 2001.

The Clerk stated that she could produce a rough copy of a particular ordinance if needed. As of the date of this report, the *Book of Ordinances* has been completed and up dated through December 31, 2001.

We recommend that the Clerk update the ordinance book on a regular basis.

Finding Number	2001-31167-004
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**Noncompliance Citation
Failure to Perform Duties – Village Clerk – Accounting Records**

Ohio Rev. Code Section 733.28 states that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived therefrom, and of all taxes and assessments.

The Clerk did not provide accurate and timely financial statements. Financial reports that were submitted for review were manually generated. The reports submitted did not agree with the computerized accounting system maintained by the Clerk or the Treasurer's books. The Clerk could not account for the discrepancies noted. In addition, checks were written and submitted to the Village Council for approval, however, these checks were held for an extended time before being mailed. For example, retirement checks written in January 2001 did not clear the bank until June of 2001.

**FINDING NUMBER 2001-31167-004
(Continued)**

The Clerk also failed to perform monthly reconciliations in a timely manner. Local Government Service, a branch of the Auditor of State Office, had to be hired to reconcile the Village's accounts and update the Village's computerized accounting system.

We recommend that the Clerk provide accurate and timely financial reports as outlined above. This may help keep Council informed of the financial status of the Village, aid in monitoring finances, and help in making financial decisions.

<i>Finding Number</i>	2001-31167-005
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**Noncompliance Citation
Failure to Perform Duties- Treasurer**

Ohio Rev. Code Section 733.43 states that the Treasurer must keep an accurate account of:

- (A) All money received by him, showing the amount thereof, the time received, from whom, and on what account received;
- (B) All disbursements made by him, showing the amount thereof, the time made, to whom, and on what account paid.

He shall so arrange his books that the amount received and paid on account of separate funds, or specified appropriations, shall be exhibited in separate accounts. In addition to the ordinary duties of such treasurer, he shall have such powers and perform such duties as are required by any ordinance of the Village, not inconsistent with Title VII of the Revised Code, and not incompatible with the nature of his office.

In addition, **Ohio Rev. Code Section 733.44** states that the Village's Treasurer shall demand and receive, from the County Treasurer, taxes levied and assessments made and certified to the county auditor by the Village's Council, moneys, from persons authorized to collect or required to pay them, accruing to the village from any judgments, fines, penalties, forfeitures, licenses, and costs taxed in mayor's court, and debts due the municipal corporation. Such funds shall be disbursed by the treasurer on the order of any person authorized by law or ordinance to issue orders therefore.

The books must provide separate accounts for each fund and appropriation. The Treasurer and Clerk should maintain the same accounts, since they must be reconciled. **Ohio Rev. Code Section 733.45** states that the Treasurer shall settle and account with the Village Council, quarterly, and at any other time which the Village Council directs by resolution or ordinance. At the first January meeting of Village Council each year, the treasurer shall report on the Village financial condition, including amount of receipts, disbursements and accounts. The balance of each fund shall be reported. The Treasurer shall also keep a treasury of investment account documenting the investment of treasury fund.

The Treasurer's financial reports that were submitted to the Council for review were manually generated. These reports submitted did not agree with the computerized accounting system, maintained by the Clerk. The Treasurer and Clerk could not account for the discrepancies noted. Although the Village has an elected Treasurer, the Village Clerk made deposits and investments; made disbursement; and trained and supervised the Income Tax Clerk and the Utilities Clerk.

<i>Finding Number</i>	2001-31167-006
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Noncompliance Citation
Failure to Perform Duties – Treasurer – Income Tax

Ohio Rev. Code Section 733.85 - Tax Administrator - The legislative authority (Council) of the Village, which operates under a general statutory plan of municipal government, may appoint an individual known as the Tax Administrator to assist the Village Treasurer in matters relating to income taxes. The individual so appointed must be an employee of the Treasurer's office and be responsible to and under the control of the Village Treasurer.

The legislative authority (Council) has appointed a full time person to server as Tax Administrator. The Tax Administrator should be supervised by the Treasurer. The Treasurer has no knowledge and/or involvement of the Village tax collections procedures and computerized bookkeeping system. The Treasurer is unable to assist the Tax Administrator. New schools were built in the Village, but the income tax due the Village from the construction workers' wages was not collected.

The Village's Council is merging the elected office of the Clerk and Treasurer, and replacing the elected Clerk-Treasurer with an appointed Village Fiscal Officer.

<i>Finding Number</i>	2001-31167-007
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Noncompliance Citation
Failure to Perform Duties- Village Administrator

Under **Ohio Rev. Code Sections 735.271 and 735.272** the Village Council may establish the position of Village Administrator, to be appointed by the mayor subject to council's approval. **Ohio Rev. Code Section 735.273** provides that the Village Administrator shall manage, conduct, and control the water works, furnish supplies of water, and collect all water rents.

The Village Administrator has no involvement or knowledge of the accounting system used to track and maintain customers billing and payments. In the absence of the Utility Clerk, these duties are performed by the Village Clerk. Also, in the absence of the Village Administrator, the Village Clerk was required to supervise the water department (i.e., orders for shut offs).

We recommend that the Village Administrator have training so that the Administrator will be able to train and supervise the Utility Clerk. We also recommend that the Utility Clerk be given more responsibility with appropriate monitoring of the Utility Clerk's duties.

<i>Finding Number</i>	2001-31167-008
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Noncompliance Citation
Failure to Perform Duties- Mayor

Ohio Rev. Code Section 731.20 states that legislation is to be authenticated by the signature of the presiding officer and clerk of council.

The Mayor, as Council President, did not sign any of the 2001 minutes, only the Village's Clerk signed them.

**FINDING NUMBER 2001-31167-008
 (Continued)**

We recommend that the minutes be read and corrected (if needed) at the next subsequent meeting. After the minutes have been corrected (if needed) and approved, the Village's Mayor, as Council President, should sign and date the minutes. The Village Clerk should then authenticate the Mayor's signature by signing and dating the minutes.

Finding Number	2001-31167-009
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Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) Prohibits a subdivision from making expenditure unless it has been properly appropriated.

The expenditures in the following funds exceeded appropriations during calendar year 2001:

Fund	Amount exceeded
Crime Prevention Fund	\$15,557
Revolving Loan Fund	97,539
Police Crime Prevention Fund	174
Police Drug Fund	1,284
Police DUI Fund	416
State Fund	35,064
COPS FAST 1	806
COPS FAST	14,374
COPS FAST 3	234

The Village should establish procedures to limit budgetary expenditures to appropriations. The Village Clerk may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Finding Number	2001-31167-010
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Noncompliance Citation

Ohio Rev. Code Section 5705.36 (A)(2) states upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the budget commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

During 2001, an amended certificate of estimated resources was not filed with or approved by the County Budget Commission. It was noted that for each of the following special revenue funds estimated resources exceeded actual receipts by amounts greater than 70 percent: State highway Improvement (2021), Income Tax (2071), Permissive Motor Vehicle License (2101), COPS FAST (2123), Building (2901), Housing Rental License Fee (2902), and Revolving Loan Fund (2903).

FINDING NUMBER 2001-31167-010
(Continued)

We recommend that the Village Clerk file timely amended certificates of estimated resources when it is determinable that actual resources will be significantly greater or less than the most recent certificate on file with the County Budget Commission.

<i>Finding Number</i>	2001-31167-011
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Noncompliance Citation

No transfer can be made from one fund of a subdivision to any other fund, except as provided by **Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16**. Before any transfer can be made Village Council must pass an ordinance/resolution approving and authorizing the transfer. Additionally, the village must seek the approval of the State Tax Commissioner and the Common Pleas Court prior to making fund transfers.

During 2001, the Village made three transfers without approval of the Village Council, the Tax Commissioner, or the Court of Common Pleas from the following funds:

Crime Prevention Fund	\$ 6,289
State Highway	\$ 3,000

To help ensure compliance we recommend the Village review the requirements of Ohio Rev. Code Sections 5705.14-5705.16 relating to the transfer of funds, and establish procedures for ensuring budgetary compliance.

<i>Finding Number</i>	2001-31167-012
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Reportable Condition

Ohio Administrative Code 117-2-02 (C) Accounting and reporting records, states that all local public offices may integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level (E.G., fund, program or function, department, or object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

**FINDING NUMBER 2001-31167-012
(Continued)**

At the Village, the budgeted receipts and appropriations were not entered accurately into the computer accounting system. The budgeted figures entered into the computer accounting system should agree to the last Certificate of Estimated Resources certified by the County Budget Commission, and the appropriations passed by the Village Council.

If the appropriation figures that are entered into the computer system do not agree to the actual appropriations that the Village has adopted, the computer system could allow the Village to spend funds that were not appropriated.

We recommend that all budgetary information certified by the County Budget Commission or approved by Village Council be timely and accurately input into the computer system.

<i>Finding Number</i>	2001-31167-013
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**Reportable Conditions / Material Weakness
Segregation of Duties**

The Village Clerk is the chief fiscal officer for the Village. It was noted that various duties/operations were handled entirely by the Clerk. For instance, the Clerk sometimes collects utility and income tax receipts, and even though the Tax Administrator and Utility Clerk posts the monies to the income tax and utility ledgers, the Clerk controls all general ledger monthly postings. The Clerk also writes the deposit tickets and takes the money to the bank. As a result internal controls were not as strong as they could have been if segregation of duties had been implemented more effectively. The Village Treasurer, Administrator, Income Tax, Utility Clerks, or another official could be allocated duties that would provide for the proper segregation of responsibilities.

To help ensure adequate accountability and to strengthen internal accounting controls; we recommend the Village establish written job descriptions/procedures that provide an adequate segregation of duties. The Ohio Revised Code, which outlines the individual duties of Village employees/officials, should be used as an aide to help develop those job descriptions. To the extent possible, the Village should segregate collecting, paying and depositing cash from recording cash transactions and reconciling cash accounts.

<i>Finding Number</i>	2001-31167-014
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**Reportable Conditions
Late Payment of Bills**

Maintaining good relations with vendors and suppliers enables more competitive pricing, and better service.

FINDING NUMBER 014
(Continued)

We noted that the Village was late in paying 25% of the checks tested. Also, several of these invoices requested late payment fees, but the Clerk refused to pay them, and the vendors dropped the claims.

Slow paying of bills could lead to poor vendor relations and more late fees, and could cause poor cash flow for the Village.

We recommend that the Village establishes procedures to permit more prompt payment of vendors.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid (Explain)
2000-31167-001	Payments To PERS and OPFPF	No	Partially Corrected -- Reissued As Finding No. 2001-31167-001
2000-31167-002	ORC 5705.41 (D) – Funds Not Properly Encumber	No	Not Corrected -- Reissued As Finding No. 2001-31167-002
2000-31167-003	ORC 121.22 (C) Failure to Perform Duties – Village Clerk Minutes	No	Partially Corrected -- Reissued As Finding No. 2001-31167-003
2000-31167-004	ORC 733.26 Failure to Perform Duties Village Clerk – Accounting Records	No	Not Corrected -- Reissued As Finding No. 2001-31167-004
2000-31167-005	ORC 733.43 – Failure to Perform Duties Treasurer	No	Not Corrected -- Reissued As Finding No. 2001-31167-005
2000-31167-006	Village Officer’s Hand Book Chapter TW (V) (D) – Failure to Performed Duties – Treasurer Income Tax duties	No	Partially Corrected -- Reissued As Finding No. 2001-31167-006
2000-31167-007	ORC 735.271 and 735272 – Failure to Performed Duties – Village Administrator	No	Partially Corrected -- Reissued As Finding No. 2001-31167-007
2000-31167-008	ORC 731.20 Failure to Performed Duties – Mayor	No	Partially Corrected -- Reissued As Finding No. 2001-31167-008
2000-31167-009	ORC 5705. 41 (B) – Expenditures exceeded appropriations	No	Not Corrected -- Reissued As Finding No. 2001-31167-009
2000-31167-010	Agreement of Operation Windham Township Fire Dept.	Yes	
2000-31167-011	Ohio Administrative Code 117-2-02	No	Not Corrected -- Reissued As Finding No. 2001-31167-012
2000-31167-012	Segregation of Duties	No	Partially Corrected -- Reissued As Finding No. 2001-31167-013
2000-31167-013	Late Payment of Bills	No	Not Corrected -- Reissued As Finding No. 2001-31167-014



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OFFICE OF THE AUDITOR

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VILLAGE OF WINDHAM

PORTAGE 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
JANUARY 9, 2003