



**Auditor of State
Betty Montgomery**

VILLAGE OF WINDHAM
PORTAGE COUNTY

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Auditor of State Betty Montgomery

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, Portage County, Ohio (the Village) as of and for the year ended December 31, 2003. 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. The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described 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 of Windham, Portage County, Ohio as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2004 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 management, Council and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 28, 2004

**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, 2003**

	<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	\$78,198	\$11,920		\$90,118
Municipal Income Tax	372,824			372,824
Intergovernmental Receipts	134,825	55,754		190,579
Special Assessments	65			65
Charges for Services	32,711	7,500		40,211
Fines, Licenses, and Permits	11,766			11,766
Earnings on Investments	38	699		737
Miscellaneous	28,846	9,002		37,848
	<u>659,273</u>	<u>84,875</u>		<u>744,148</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	533,887	25		533,912
Public Health Services				0
Leisure Time Activities	3,867			3,867
Community Environment	400	363		763
Basic Utility Services	14,139			14,139
Transportation	41,685	86,050		127,735
General Government	154,669	10,542		165,211
Debt Service:				
Principal Payments	140,267			140,267
Interest Payments	6,043			6,043
Capital Outlay	3,816	9,170		12,986
	<u>898,773</u>	<u>106,150</u>		<u>1,004,923</u>
Total Receipts Over/(Under) Disbursements	<u>(239,500)</u>	<u>(21,275)</u>		<u>(260,775)</u>
Other Financing Receipts and (Disbursements):				
Sale of Notes	300,000			300,000
Advances-In	24,000	39,040	31,000	94,040
Advances-Out	(138,040)	(3,000)		(141,040)
Other Financing Sources	15,864	7		15,871
Other Financing Uses	(48)			(48)
	<u>201,776</u>	<u>36,047</u>	<u>31,000</u>	<u>268,823</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,724)	14,772	31,000	8,048
Fund Cash Balances, January 1	<u>89,170</u>	<u>127,371</u>	<u>14,048</u>	<u>230,589</u>
Fund Cash Balances, December 31	<u>\$51,446</u>	<u>\$142,143</u>	<u>\$45,048</u>	<u>\$238,637</u>
Reserves for Encumbrances, December 31	<u>\$3,837</u>	<u>\$1,333</u>	<u>\$0</u>	<u>\$5,170</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 - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$622,834
Miscellaneous	25,050
	647,884
Operating Cash Disbursements:	
Personal Services	196,945
Fringe Benefits	94,869
Contractual Services	259,490
Supplies and Materials	120,310
Capital Outlay	4,359
Other	1,119
	677,092
Operating Income/(Loss)	(29,208)
Non-Operating Cash Receipts:	
Special Assessments	206,952
Earnings on Investments	371
Other Non-Operating Receipts	15,352
Other Financing Sources	2,482
	225,157
Non-Operating Cash Disbursements:	
Debt Service	81,986
Debt Interest Payments	57,300
	139,286
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	56,663
Transfers-In	6,240
Advances-In	71,000
Transfers-Out	(6,240)
Advances-Out	(24,000)
	103,663
Net Receipts Over/(Under) Disbursements	103,663
Fund Cash Balances, January 1	219,199
Fund Cash Balances, December 31	\$322,862
Reserve for Encumbrances, December 31	\$0

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, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Windham, Portage County, Ohio (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.

The Village uses a local bank to manage its cash investments. Investments are limited to interest bearing checking 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 Fund:

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

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Fund - This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village records the State's share of Ohio Public Works Programs in this fund.

4. 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 and maintains record of compliance with a debt covenant with the Mortgage Revenue Bonds listed in Note 6.

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 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.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Encumbrances

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

A summary of 2003 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 \$561,499.

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 year ending 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$950,372	\$975,137	\$24,765
Special Revenue	70,926	84,882	13,956
Enterprise	819,960	879,281	59,321
Total	\$1,841,258	\$1,939,300	\$98,042

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$909,994	\$902,658	\$7,336
Special Revenue	119,305	107,483	11,822
Enterprise	977,770	822,618	155,152
Total	\$2,007,069	\$1,832,759	\$174,310

Contrary to Ohio Law, the Village did not encumber funds properly.

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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 2003 \$372,824 was received in income tax. These receipts were allocated to the General Fund.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003 was as follows

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,077,553	2.00%
General Obligation Notes	283,333	4.25%
Mortgage Revenue Bonds	794,000	5.75%
Total	\$2,154,886	

The General Obligation Notes were issued in October 2003 to pay for operating expenses of the Village in the amount of \$300,000. The notes are payable over a period of 36 months at \$8,333 per month in principal plus a declining finance charged at 4.25% per annum. The notes are collateralized by revenues the Village collects.

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 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.

As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included within the enterprise fund as the water debt service reserve fund. The balance in the fund at December 31, 2003 is \$54,568.

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

	OWDA Loan	General Obligation Notes	USDA Mortgage Revenue Bonds
Year ending December 31:			
2004	\$155,536	\$110,054	\$61,655
2005	155,536	105,844	61,735
2006	155,536	84,957	61,757
2007	155,536		61,722
2008	155,536		61,630
2009 - 2013	311,073		309,406
2014 - 2018			308,707
2019 - 2023			309,704
2024 - 2027			247,913
Total	\$1,088,753	\$300,855	\$1,484,229

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. RETIREMENT SYSTEMS

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 Village's law enforcement officers 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 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003.

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. RELATED PARTY RELATIONSHIP - 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 (the Village) and the Township.

The Windham Township Fire District is funded by a 1.0 mill current operating levy, a 1.0 mill equipment level 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 appliances 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.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

9. RELATED PARTY RELATIONSHIP – WINDHAM TOWNSHIP FIRE DISTRICT – (Continued)

Levy activity for the years ended December 31, 2003 and 2002 follows:

2002 Activity	Current Operating Levy	Equipment Levy
Fund Balance as of January 1	\$ 25,288	\$ 194,153
Total Receipts	88,257	40,818
Transfer in from the General Fund	254	2,167
Total Expenditures	<u>(45,374)</u>	<u>(32,634)</u>
Ending Fund Balance as of December 31	<u>\$ 68,425</u>	<u>\$ 204,504</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, 2002 through December 31, 2003. However, beginning on January 1, 2004, the agreement of operation has lapsed and as of June 11, 2004 no new agreement was in affect between the parties.

10. LEGAL COMPLIANCE

The results of our audit disclosed two instances of noncompliance that are required to be reported under Governmental Auditing Standards. The Village did not comply with Section 735.271 and 735.272 and Section 5705.41 (D), Ohio Revised Code relating to the Village Administrators duties and certifying the availability of funds prior to a purchase commitment respectively.

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Auditor of State Betty Montgomery

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 financial statements of the Village of Windham (the Village) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 28, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated June 28, 2004.

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 operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as items 2003-003.

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, we believe none of the reportable conditions described above is a material weakness. However, we 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 June 28, 2004.

This report is intended for the information and use of management, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 28, 2004

VILLAGE OF WINDHAM
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003

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

FINDING NUMBER 2003-001

Reportable Condition - Noncompliance Citation

Not Properly Encumbering

Ohio Revised 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 three thousand dollars (\$3,000), (one thousand dollars prior to April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

For 23.6% or 18 of 76 expenditures selected for testing during the audit period, the Chief Financial Officer's certification of the availability of funds was not made prior to a purchase commitment. Of the 23.6% where the certification of the availability of funds was not made prior to a purchase commitment, the Chief Financial Officer did have a Then and Now in place for 6 commitments.

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 2003-002

Reportable Condition - Noncompliance Citation

Failure to Perform Duties- Village Administrator

Under **Ohio Revised 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 Revised 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.

Based on review of the documentation provided for utilities, there is no evidential matter supporting the Village Administrator (VA) performed any functions monitoring the activities. In addition, from discussions with the VA, Mayor, Chief Financial Officer, and Income Tax Administrator, the VA had 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 would shift to the Village Administrator.

We recommend the Village Administrator (VA) perform the job duties of the position required by the above Revised Code section. This may require the VA to receive training over the billing, collection, recording, and depositing of the Village's utility receipts, and training on utilizing the Village's UAN financial accounting system. The VA may delegate daily job duties to a designated utility employee. This should be established through written procedures that specify the tasks to be performed by the utility employee. If daily tasks are delegated, the VA should perform monitoring procedures over the billing, collection, recording, and depositing of utility receipts, such as reviewing and comparing billings to collections, collections to deposits, collections to recordings to the system, analyzing delinquent accounts, etc. We also recommend the VA, on a monthly basis, reconcile the utility system with the deposit record and make sure the amount in the UAN system agrees to the subsidiary records of the utility system for monthly reconciliation purposes.

FINDING NUMBER 2003-003

Reportable Condition

SSI Income Tax Software System not Current and No Policy for the Collection of Delinquent Accounts

As of May 2004, the Village is two years behind in entering taxpayer account information, such as individual payments and new taxpayer names, into their income tax software system. In addition, the Village does not have any formal written policy which sets forth a method to monitor and collect on delinquent income tax accounts.

The Village has been maintaining a manual record-keeping of taxpayer accounts, including delinquencies. The Income Tax Clerk and the Chief Financial Officer are working to get all of the manually recorded information input into the income tax system in order to get it current.

We recommend the Village update all information needed in the income tax system. Once current, the Village should update its software to become current. In addition, Council should consider setting forth a policy describing the precise method to collect on all delinquent accounts.

The development of a policy may enhance the Village's ability to collect on delinquent accounts. The maintaining of current records within a software system may enhance the Village's ability to account for tax filers from one year to the next. Also, this may aid Council in understanding the level of revenue which may be collected, as well as serve as a guide for future budgeting and planning.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid (Explain)
2001-31167-001	ORC 5705.41 (D) – Funds Not Properly Encumber	No	Not Corrected -- Reissued As Finding No. 2003-001
2001-31167-002	ORC 733.28 Failure to Perform Duties Village Clerk – Accounting Records	Yes	
2001-31167-003	ORC 733.43 – Failure to Perform Duties Treasurer	Yes	
2001-31167-004	Village Officer's Hand Book Chapter TW (V) (D) – Failure to Performed Duties – Treasurer Income Tax duties	Yes	
2001-31167-005	ORC 731.20 Failure to Performed Duties – Mayor	Yes	
2001-31167-006	ORC 735.271 and 735.272 – Failure to Performed Duties – Village Administrator	No	Not Corrected -- Reissued As Finding No. 2003-002
2001-31167-007	ORC 5705.14, 5705.15 and 5705.16 – Transfers	Yes	
2001-31167-008	ORC 5705. 41 (B) – Appropriations exceeded Certificate of Est. Resources	Yes	
2001-31167-009	Ohio Administrative Code 117-2-02	Yes	
2001-31167-010	Segregation of Duties	Yes	
2001-31167-011	Late Payment of Bills	Partial	Reissued as a Management Letter comment.



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 28, 2004**