



**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 (the Village) as of and for the year ended December 31, 2002. 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, 2002, 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 May 7, 2003 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.

Village of Windham
Portage County
Report of Independent Accountants
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 7, 2003

**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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax	\$70,937	\$13,466		\$84,403
Municipal Income Tax	288,905	70,691		359,596
Intergovernmental Receipts	147,200	71,801	\$78,565	297,566
Charges for Services	45,044	15,093		60,137
Fines, Licenses, and Permits	16,669			16,669
Earnings on Investments	3,253	898		4,151
Miscellaneous	76,210	43,919		120,129
Total Cash Receipts	648,218	215,868	78,565	942,651
Cash Disbursements:				
Current:				
Security of Persons and Property	589,403	2,353		591,756
Leisure Time Activities	6,975			6,975
Community Environment	4,792	18,944		23,736
Transportation	25,154	74,195		99,349
General Government	160,331	60,971	14,010	235,312
Debt Service:				
Principal Payments	24,057			24,057
Interest Payments	2,729			2,729
Capital Outlay	34,224	6,476	78,565	119,265
Total Cash Disbursements	847,665	162,939	92,575	1,103,179
Total Receipts Over/(Under) Disbursements	(199,447)	52,929	(14,010)	(160,528)
Other Financing Receipts and (Disbursements):				
Sale of Notes	100,000			100,000
Transfers-In	84,745	7,249		91,994
Advances-In	85,000	3,000		88,000
Transfers-Out	(7,249)	(84,745)		(91,994)
Advances-Out		(10,000)	(31,000)	(41,000)
Other Sources		135	2,186	2,321
Other Uses	(148)	(1,036)		(1,184)
Total Other Financing Receipts/(Disbursements)	262,348	(85,397)	(28,814)	148,137
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	62,901	(32,468)	(42,824)	(12,391)
Fund Cash Balances, January 1	26,268	159,839	56,873	242,980
Fund Cash Balances, December 31	\$89,169	\$127,371	\$14,049	\$230,589
Reserves for Encumbrances, December 31	\$29,949	\$5,113	\$0	\$35,062

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, 2002**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$593,365
Miscellaneous	5,970
	599,335
Total Operating Cash Receipts	599,335
Operating Cash Disbursements:	
Personal Services	221,432
Fringe Benefits	121,075
Contractual Services	129,222
Supplies and Materials	131,185
Other	938
Capital Outlay	31,153
	635,005
Total Operating Cash Disbursements	635,005
Operating (Loss)	(35,670)
Non-Operating Cash Receipts:	
Special Assessments	205,700
Earnings on Investments	671
Other Financing Sources	7,420
	213,791
Total Non-Operating Cash Receipts	213,791
Non-Operating Cash Disbursements:	
Debt Service-Principal	(145,682)
Debt Service-Interest	(72,234)
	(217,916)
Total Non-Operating Cash Disbursements	(217,916)
Excess of Receipts Under Disbursements Before Interfund Transfers and Advances	(39,795)
Transfers-In	38,428
Transfers-Out	(38,428)
Advances-Out	(47,000)
	(86,795)
Net Receipts (Under) Disbursements	(86,795)
Fund Cash Balances, January 1	305,994
Fund Cash Balances, December 31	\$219,199
Reserve for Encumbrances, December 31	\$24,742

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, 2002**

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.

The Village uses a local bank to manage its cash investments. 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, 2002
(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. 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 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 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.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 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 \$449,788.

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, 2002 follows:

	2002 Budgeted vs. Actual Receipts		
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$932,628	\$832,963	(\$ 99,665)
Special Revenue Funds	537,707	223,252	(314,455)
Capital Project Fund	6,998	80,751	73,753
Enterprise Funds	<u>1,203,427</u>	<u>851,554</u>	<u>(351,873)</u>
Total	<u>\$2,680,760</u>	<u>\$1,988,520</u>	<u>(\$ 692,240)</u>

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$1,003,585	\$885,011	\$ 118,574
Special Revenue Funds	664,630	253,833	410,797
Capital Project Fund	63,871	92,575	(28,704)
Enterprise Funds	<u>1,468,378</u>	<u>916,091</u>	<u>552,287</u>
Total	<u>\$3,200,464</u>	<u>\$2,147,510</u>	<u>\$1,052,954</u>

During 2002 the Village did not properly obtain the Clerk's prior certification for expenditures contrary to Ohio Revised Code Section 5705.41(D).

Contrary to Ohio Revised Code Section 5705.41(A), the following funds were found to have appropriations in excess of the amount certified as available by the Budget Commission. Actual fund receipts were not sufficient to permit the Village to obtain an amended certificate of estimated resources greater than or equal to the appropriations.

<u>Fund</u>	<u>Variance</u>
General	\$ 144,352
Income Tax	282,355
Permissive Motor Vehicle	8,268
Building	4,693
Revolving Loan	46,021
Permanent Improvement	4,812
Water Operating	274,329
Sewer Operating	26,640
USDA Water Plant Loan	47,756
OWDA Loan	5,501
Enterprise Deposit	4,396

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.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

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 2002 \$359,596 was received in income tax. These receipts were allocated to the following funds:

\$ 288,905 General Fund, and
\$ 70,691 Special Revenue Fund.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,144,538	2.00%
General Obligation Notes	123,687	4.30% - 6.50%
Mortgage Revenue Bonds	<u>809,000</u>	5.75%
Total	<u>\$ 2,077,225</u>	

The General Obligation Notes were issued in December 2002 to pay for operating expenses of the Village in the amount of \$100,000. The notes are payable over a period of 18 months at \$5,556 per month in principal plus \$3,404 finance charged at 4.30%. 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 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.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	<u>OWDA Loan</u>	<u>General Obligation Notes</u>	<u>Mortgage Revenue Bonds</u>
2003	\$155,536	\$94,125	\$61,518
2004	155,536	33,753	61,655
2005	155,536		61,735
2006	155,536		61,758
2007	155,536		61,723
2008 - 2012	466,609		308,903
2013 - 2017			309,333
2018 - 2022			309,092
2023 - 2027			310,036
Total	<u>\$1,244,289</u>	<u>\$127,878</u>	<u>\$1,545,753</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 2002, 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.

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.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

9. WINDHAM TOWNSHIP FIRE DISTRICT (Continued)

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, 2002:

2002 Activity	Current Operating Levy	Equipment Levy
Fund Balance as of January 1	\$ 32,556	\$ 177,591
Total Tax Receipts	39,145	39,145
Transfer in from the General Fund	414	3,367
Total Expenditures	<u>(46,827)</u>	<u>(25,950)</u>
Ending Fund Balance as of December 31	<u>\$ 25,288</u>	<u>\$ 194,153</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.

10. SUBSEQUENT EVENT

Change in Personnel within the Administrative Office

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 April 2003, the Utilities Clerk has been appointed to the Village's Fiscal Officer position.

11. Legal Compliance

The Village did not comply with the following sections of the Ohio Revised Code as noted on pages 15 – 19 of this report:

- Ohio Revised Code Section 733.28 – Failure To Perform Duties – Village Clerk – Accounting Records
- Ohio Revised Code Section 733.43 - Failure to Perform Duties- Treasurer
- Ohio Revised Code Section 733.85 - Tax Administrator - Failure to Perform Duties – Treasurer – Income Tax
- Ohio Revised Code Section 731.20 - Failure to Perform Duties- Mayor
- Ohio Revised Code Sections 735.271 and 735.272 - Failure to Perform Duties- Village Administrator
- Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 - Transfers

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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 accompanying financial statements of the Village of Windham (the Village) as of and for the year ended December 31, 2002, and have issued our report thereon dated May 7, 2003. 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 Standard* which are described in the accompanying schedule of findings as items 2002-31167-001 through 2002-31167-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 7, 2003.

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 relating to significant deficiencies in the design or operation of the internal control over financial reporting. Reportable conditions are described in the accompanying schedule of findings as items 2002-31167-009 through 2002-31167-011.

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 2002-31167-010 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 May 7, 2003.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 7, 2003

VILLAGE OF WINDHAM
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002

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

<i>Finding Number</i>	2002-31167-001
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**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 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.

For 42% 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.

The Village employed one clerk during January through September 2002, and a new acting clerk October through December.

<i>Finding Number</i>	2002-31167-002
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**Noncompliance Citation
Failure to Perform Duties – Village Clerk – Accounting Records**

Ohio Revised 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

FINDING NUMBER 2002-31167-002
(Continued)

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 2002 did not clear the bank until June of 2002.

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.

The Village employed one clerk during January through September 2002, and a new acting clerk October through December.

<i>Finding Number</i>	2002-31167-003
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Noncompliance Citation
Failure to Perform Duties- Treasurer

Ohio Revised 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 Revised 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.

FINDING NUMBER 2002-31167-003
(Continued)

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 Revised 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.

Finding Number	2002-31167-004
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Noncompliance Citation
Failure to Perform Duties – Treasurer – Income Tax

Ohio Revised 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.

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 April 2003, the Utilities Clerk was been appointed to the Village's Fiscal Officer position.

<i>Finding Number</i>	2002-31167-005
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Noncompliance Citation
Failure to Perform Duties- Mayor

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

Except for October through December minutes, the Mayor, as Council President, did not sign any of the 2002 minutes, only the Village's Clerk signed them.

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.

<i>Finding Number</i>	2002-31167-006
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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.

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.

Finding Number	2002-31167-007
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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 Revised 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.

The Village made a transfer of \$38,428 without approval of the Village Council, the Tax Commissioner, or the Court of Common Pleas from the Enterprise Deposit Fund.

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.

The Village employed one clerk during January through September 2002, and a new acting clerk October through December.

A subsequent transfer of \$38,428 was approved by Village Council resolution.

Finding Number	2002-31167-008
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Noncompliance Citation

Ohio Revised Code Section 5705.41(A) prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated revenue available for expenditure from that fund. The Following funds were found to have appropriations in excess of the amount certified as available by the Budget Commission.

Fund	Actual Receipts Plus Unencumbered Balance	Current Year Appropriations	Variance
General	\$ 788,276	\$ 932,628	(\$ 144,352)
Income Tax	72,237	354,592	(282,355)
Permissive Motor Vehicle	12,352	20,620	(8,268)
Building	24,295	28,988	(4,693)
Revolving Loan	53,045	99,066	(46,021)
Permanent Improvement	59,059	63,871	(4,812)
Water Operating	343,804	618,133	(274,329)
Sewer Operating	387,166	413,806	(26,640)
USDA Water Plant Loan	96,477	144,233	(47,756)
OWDA Loan	156,735	162,236	(5,501)
Enterprise Deposit	93,605	98,001	(4,396)

Actual fund receipts were not sufficient to permit the Village to obtain an amended certificate of estimated resources greater than or equal to the appropriations for the aforementioned funds.

**FINDING NUMBER 2002-31167-008
(Continued)**

We recommend that the Village more closely monitor estimated revenues and appropriations, and obtain amended certificates from the County Budget Commission when needed.

The Village employed one clerk during January through September 2002, and a new acting clerk October through December.

<i>Finding Number</i>	2002-31167-009
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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.

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.

The Village employed one clerk during January through September 2002, and a new acting clerk October through December.

<i>Finding Number</i>	2002-31167-010
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**Reportable Conditions / Material Weakness
Segregation of Duties**

The Village Clerk is the 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

FINDING NUMBER 2002-31167-010
(Continued)

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.

The Village employed one clerk during January through September 2002, and a new acting clerk October through December.

<i>Finding Number</i>	2002-31167-011
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Reportable Conditions
Late Payment of Bills

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

We noted that the Village was late in paying 27% 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.

The Village employed one clerk during January through September 2002, and a new acting clerk October through December.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid (Explain)
2001-31167-001	Payments To PERS and OPFPF	Yes	
2001-31167-002	ORC 5705.41 (D) – Funds Not Properly Encumber	No	Not Corrected -- Reissued As Finding No. 2002-31167-001
2001-31167-003	ORC 121.22 (C) Failure to Perform Duties – Village Clerk Minutes	No	Partially Corrected – Finding No Longer Valid. Reissued As Citation.
2001-31167-004	ORC 733.28 Failure to Perform Duties Village Clerk – Accounting Records	No	Partially Corrected -- Reissued As Finding No. 2002-31167-002
2001-31167-005	ORC 733.43 – Failure to Perform Duties Treasurer	No	Partially Corrected -- Reissued As Finding No. 2002-31167-003
2001-31167-006	Village Officer’s Hand Book Chapter TW (V) (D) – Failure to Performed Duties – Treasurer Income Tax duties	No	Partially Corrected -- Reissued As Finding No. 2002-31167-004
2001-31167-007	ORC 735.271 and 735.272 – Failure to Performed Duties – Village Administrator	No	Partially Corrected -- Reissued As Finding No. 2002-31167-006
2001-31167-008	ORC 731.20 Failure to Performed Duties – Mayor	No	Partially Corrected -- Reissued As Finding No. 2002-31167-005
2001-31167-009	ORC 5705. 41 (B) – Expenditures exceeded appropriations	No	Partially Corrected – Finding No Longer Valid. Reissued As Citation.
2001-31167-010	ORC 5705.36 (A)(2) – Certification	Yes	
2001-31167-011	ORC 5705.14, 5705.15 and 5705.16 – Transfers	No	Partially Corrected -- Reissued As Finding No. 2002-31167-007
2001-31167-012	Ohio Administrative Code 117-2-02	No	Not Corrected -- Reissued As Finding No. 2002-31167-009
2001-31167-013	Segregation of Duties	No	Partially Corrected -- Reissued As Finding No. 2002-31167-010
2001-31167-014	Late Payment of Bills	No	Partially Corrected -- Reissued As Finding No. 2002-31167-011



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VILLAGE 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
JULY 3, 2003**