



**Auditor of State  
Betty Montgomery**



VILLAGE OF WINDHAM  
PORTAGE COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

We were engaged to audit the financial statements of the Village of Windham, Portage County, Ohio (the Village) as of and for the year ended December 31, 2004.

The Village provided us with financial statements reflecting the Villages transactions for the audit period. However, the Village failed to provide the necessary source documentation to support the information reflected within the financial statements. As a result, we were unable to satisfy ourselves as to the total revenues, expenditures and fund cash balances as of December 31, 2004.

Since the Village was unable to provide the evidence described in the second paragraph above, the scope of our audit procedures was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2007 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

April 9, 2007

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**WINDHAM VILLAGE  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

	<b>Governmental Fund Types</b>		<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$85,545	\$13,142	\$98,687
Municipal Income Tax	356,189	0	356,189
Intergovernmental	135,978	64,159	200,137
Special Assessments	7,211	0	7,211
Charges for Services	42,292	14,358	56,650
Fines, Licenses and Permits	12,502	0	12,502
Earnings on Investments	0	887	887
Miscellaneous	4,303	26,772	31,075
<b>Total Cash Receipts</b>	<b>644,020</b>	<b>119,318</b>	<b>763,338</b>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	492,705	0	492,705
Leisure Time Activities	10,574	0	10,574
Community Environment	290	5,309	5,599
Basic Utility Services	18,857	0	18,857
Transportation	15,808	59,610	75,418
General Government	124,637	10,400	135,037
Capital Outlay	700	3,538	4,238
Debt Service:			
Redemption of Principal	100,000	0	100,000
Interest and Other Fiscal Charges	10,095	0	10,095
<b>Total Cash Disbursements</b>	<b>773,666</b>	<b>78,857</b>	<b>852,523</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(129,646)</b>	<b>40,461</b>	<b>(89,185)</b>
<b>Other Financing Receipts/(Disbursements):</b>			
Transfers-In	15,000	0	15,000
Transfers-Out	0	(15,000)	(15,000)
Advance-In	0	373	373
Advance-Out	(373)	0	(373)
Other Financing Sources	3,240	0	3,240
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>17,867</b>	<b>(14,627)</b>	<b>3,240</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>(111,779)</b>	<b>25,834</b>	<b>(85,945)</b>
Fund Cash Balance, January 1 (See Note 10)	\$96,644	\$148,548	\$245,192
Fund Balance Adjustment (See Note 11)	(21,739)	0	(21,739)
<b>Fund Cash Balance, December 31</b>	<b>(\$36,874)</b>	<b>\$174,382</b>	<b>\$137,508</b>
Reserve for Encumbrances, December 31	\$16,403	\$1,051	\$17,454

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

**WINDHAM VILLAGE  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES, ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Types Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$837,782
Total Operating Cash Receipts	837,782
<b>Operating Cash Disbursements:</b>	
Current:	
Personal Services	181,586
Employee Fringe Benefits	63,141
Contractual Services	236,555
Supplies and Materials	79,258
Other	3,317
Capital Outlay	86,974
Total Operating Cash Disbursement:	650,831
Operating Income/(Loss)	186,951
<b>Non-Operating Receipts/Disbursements:</b>	
Intergovernmental	86,779
Earnings on Investments	361
Miscellaneous Receipts	73
Redemption of Principa	(221,004)
Interest and Other Fiscal Charge:	(73,955)
Other Financing Sources	5,545
Total Non-Operating Receipts/Disbursement:	(202,201)
Income/(Loss)	
Before Interfund Transfers and Advance:	(15,250)
Transfers-In	20,000
Transfers-Out	(20,000)
Fund Cash Balance, January 1	\$316,458
<b>Fund Cash Balance, December 31</b>	<b>\$301,208</b>
Reserve for Encumbrances, December 31	\$62,543

*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, 2004**

**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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's investments are included in fund cash balances. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit and savings accounts at cost.

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds 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:

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

**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).

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, function or object level of control, and appropriations may not exceed estimated resources. Village 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.

**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 2004 budgetary activity appears in Note 3.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2004
Demand Deposits	\$438,716
Total deposits and investments	\$438,716

**Deposits:** Deposits are 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, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$752,637	\$662,251	(\$90,386)
Special Revenue	117,316	116,857	(459)
Enterprise	553,137	950,540	397,403
Total	\$1,423,090	\$1,729,648	\$306,558

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$790,069	(\$790,069)
Special Revenue	0	94,908	(94,908)
Enterprise	0	1,028,333	(1,028,333)
Total	\$0	\$1,913,310	(\$1,913,310)

The above note shows that the Village did not have any appropriations in any funds for 2004, thus, expenditures were greater than the appropriation authority. This noncompliance is also noted as Finding 2004-006 in the Schedule of Findings.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one and one-half cent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$872,549	2.00%
General Obligation Notes	\$183,333	4.25%
Mortgage Revenue Bonds	778,000	5.75%
Total	<u>\$1,833,882</u>	

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, 2004 is \$61,163.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(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>USDA Mortgage Revenue Bonds</u>
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	<u>\$933,217</u>	<u>\$190,801</u>	<u>\$1,422,574</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**8. RISK MANAGEMENT – (Continued)**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2004</b>	<b>2003</b>
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

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

**9. JOINTLY GOVERNED ORGANIZATION - 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.

Levy activity for the year ended December 31, 2004 follows:

<b>2004 Activity</b>	<b>Current Operating Levy</b>	<b>Equipment Levy</b>
Fund Balance as of January 1	\$ 68,425	\$ 204,504
Total Receipts	98,514	219,993
Total Expenditures	(94,614)	(237,825)
Transfer in from the General Fund	689	2,585
Ending Fund Balance as of December 31	<u>\$ 73,014</u>	<u>\$ 189,257</u>

Financial information is available from: Windham Township, 9708 Windham-Parkman Road, Windham, Ohio 44288. The Township is also the fiscal agent for the Fire District and records the Fire District's transactions in its accounting records. 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.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004  
(Continued)**

**10. PRIOR PERIOD ADJUSTMENTS**

The 2003 financial statements of the Village reflected the Permanent Improvement/Enhancement Fund as a capital projects fund. However, it was determined that the fund was never legally established. The entire fund balance was transferred in from the General Fund. Therefore, the entire fund balance of \$45,047 will be removed from the Permanent Improvement/Enhancement Fund and will be returned to the General Fund. The 2003 financial statements also reflected an adjustment of \$6,405 from the Revolving Loan Fund to the Water Operating Fund that needs reversed.

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Fund Cash Balances, January 1, 2004	51,597	142,143	45,047	322,863
Adjustments	<u>45,047</u>	<u>6,405</u>	<u>45,047</u>	<u>(6,405)</u>
Adjusted Fund Balances, January 1, 2004	96,644	148,548	-	316,458

**11. LEGAL COMPLIANCE**

In addition to the noncompliance appearing in Note 3, the Village did not comply with Sections 149.351, 735.271& 735.272, and 5705.41(D) of the Ohio Revised Code relating to guidelines against the destruction or damage of records, the Village Administrators duties, and certifying the availability of funds prior to a purchase commitment, respectively.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We were engaged to audit the financial statements of the Village of Windham, Portage County, (the Village) as of and for the year ended December 31 2004, and have issued our report thereon dated April 9, 2007, wherein we disclaimed an opinion upon the financial statements because the Village was unable to provide us with any financial statements reflecting the Village's transactions, The Village was also unable to provide sufficient documentation to support the Village's cash receipts and disbursements and reserve for encumbrances for the year ended December 31, 2004.

### **Internal Control Over Financial Reporting**

In planning and performing our engagement, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-005 through 2004-009.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We considered reportable conditions 2004-005 through 2004-009 listed above to be material weaknesses. In a separate letter to the Village's management dated April 9, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of our engagement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our engagement and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items Finding 2004-001 through 2004 -008. In a separate letter to the Village's management dated April 9, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

April 9, 2007

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

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

**FINDING NUMBER 2004-001**

**Finding for Recovery – Compensation Overpayments**

During our review of the Village's payroll expenditures from January 1 through December 31, 2004 it was noted that Karen Barnard was overpaid a total of \$211.50 for the period. The overpayment consisted of an excess of \$30.00 in longevity pay and \$181.50 in overtime pay.

Section 155.06 (a) of the Codified Ordinances of the Village of Windham reads, "All full-time employees of the Village shall have added to their regular compensation a supplemental amount of five dollars per month at the completion of each years period of continuous full-time service. Karen Barnard's longevity rate for December of 2004 was \$30.00 per month; however our tests revealed Karen received a total of \$60.00 longevity pay in December 2004.

December 2004 Payroll warrants	Warrant date	Amount of Gross pay	Amount of longevity pay included in Gross pay	Allowable longevity per ordinance	Longevity Overpayment
13790	12/3/2004	\$880.60	\$15.00	\$15.00	
13849	12/17/2004	\$794.04	\$15.00	\$15.00	
13894	12/30/2004	\$534.36	\$15.00		\$15.00
13915	12/30/2004	\$361.24	\$15.00		\$15.00
<b>Total overpayment</b>					<b>\$30.00</b>

Village ordinance no. 1313 provides for overtime pay for Village employees to be one and one half times the employees base rate of pay for hours worked in excess of forty hours per week. Karen Barnard's base rate of pay for the period January 1 through December 31, 2004 was \$10.82 per hour and her overtime rate would be \$16.23 dollars per hour. Our tests revealed that in three separate instances Karen was paid for overtime using a rate of \$24.48 per hour. This resulted in an overpayment of \$181.50.

Pay Date	Documented Overtime hours worked	Overtime paid at incorrect rate \$24.48	Overtime paid at approved rate \$16.23	Amount of overpayment
3/26/2004	2	\$48.96	\$32.46	\$ 16.50
5/21/2004	4	\$97.92	\$64.92	\$ 33.00
7/16/2004	16	391.68	\$259.68	\$132.00
<b>Total overpayment</b>				<b>\$181.50</b>

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Karen P. Barnard and Grace Krontis, clerk-treasurer, Shelly Craine, former clerk-treasurer, Wendy L. Walters, acting clerk-treasurer, Village signatories, jointly and severally in the amount of \$211.50 and in favor of the Village of Windham's General Fund.

Client Response: On August 21, 2007 the Village Council and Karen P. Barnard agreed to a repayment plan reimburse the Village for Finding Number 2004-001.

**FINDING NUMBER 2004-002**

**Finding for Recovery – Compensation Overpayments- Repaid Under Audit**

During our review of the Village's payroll expenditures from January 1 through December 31, 2004 it was noted that James Stier was overpaid a total of \$329.04. The overpayment of \$329.04 was from overtime payments.

Village ordinance no. 1313 provides for overtime pay for Village employees to be one and one half times the employees' base rate of pay for hours worked in excess of forty hours per week. James Stier's base rate of pay for the period January 1 through May 31, 2004 was \$12.88 per hour and from June 1, 2004 through December 31, 2004 it was \$14.00 per hour. His overtime rate from January 1, through May 31, 2004 would be \$19.32 per hour and from June 1, through December 31, 2004 and his overtime rate would be \$21.00 per hour. Our tests revealed that in twenty two separate instances James was paid for overtime using an inaccurate rate. This resulted in an overpayment of \$329.04.

<b>Pay Date</b>	<b>Documented Overtime hours worked</b>	<b>Overtime paid at incorrect rate \$20.96 Through May 31. Rate \$22.76 from June 1 through December 31</b>	<b>Overtime paid at approved Rate \$19.32. Through May 31, Rate of \$21.00 from June 1 through December 31</b>	<b>Amount of overpayment</b>
1/16/2004	9	\$188.64	\$173.88	\$ 14.76
1/30/2004	17.5	\$366.80	\$338.10	\$ 28.70
2/13/2004	17.5	\$366.80	\$338.10	\$ 28.70
2/27/2004	14	\$293.44	\$270.48	\$ 22.96
3/12/2004	13	\$272.48	\$251.16	\$ 21.32
3/26/2004	17.5	\$366.80	\$338.10	\$ 28.70
4/09/2004	7.5	\$157.20	\$144.90	\$ 12.30
4/23/2004	8	\$167.68	\$154.56	\$ 13.12
5/07/2004	4	\$ 83.84	\$ 77.28	\$ 6.56
5/21/2004	10	\$209.60	\$193.20	\$ 16.40
6/04/2004	7	\$159.32	\$147.00	\$ 12.32
6/18/2004	2	\$ 45.52	\$ 42.00	\$ 3.52
7/02/2004	6	\$136.56	\$126.00	\$ 10.56
7/16/2004	1	\$ 22.76	\$ 21.00	\$ 1.76
7/30/2004	.5	\$ 11.38	\$ 10.50	\$ .88
8/27/2004	4.5	\$102.42	\$ 94.50	\$ 7.92
9/24/2004	15.5	\$352.78	\$325.50	\$ 27.28
10/08/2004	10.5	\$238.98	\$220.50	\$ 18.48
10/22/2004	2	\$ 45.52	\$ 42.00	\$ 3.52
11/05/2004	5.5	\$125.18	\$115.50	\$ 9.68
11/19/2004	1.5	\$ 34.14	\$ 31.50	\$ 2.64
12/17/2004	11	\$250.36	\$231.00	\$ 19.36
<b>Total overpayment</b>				<b>\$329.04</b>

**FINDING NUMBER 2004-002  
(Continued)**

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against James R. Stier and Grace Krontis, clerk-treasurer, Shelly Craine, former clerk-treasurer, and Wendy L. Walters acting clerk-treasurer, Village signatories, jointly and severally in the amount of \$329.04 and in favor of the Village of Windham's General Fund. On August 13, 2007 James R. Stier paid the Village \$329.04 in currency for the repayment of Finding Number 2004-002.

**FINDING NUMBER 2004-003**

**Finding for Recovery – Compensation Overpayments-Repaid Under Audit**

During our review of the Village's payroll expenditures from January 1 through December 31, 2004 it was noted that Scott Garrett was overpaid a total of \$100.00 for the period.

Village Ordinance # 1488 sets compensation for council members at \$100.00 for each meeting attended. The council minutes indicate that Scott Garrett did not attend the July 13, 2004 Council meeting. Payroll warrant #13603 issued on 10/22/2004 in the amount of \$300.00 which included payments of \$100.00 per meeting for attending the following council meetings: July 13, 2004, August 10, 2004, and September 14, 2004.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Scott Garrett, council member and Grace Krontis, clerk-treasurer, jointly and severally in the amount of \$100 and in favor of the Village of Windham's General Fund in the amount of one hundred dollars (\$100). On August 1, 2007 Scott Garrett issued check #6245 to the Village in the amount of \$100.00 for the repayment of Finding Number 2004-2003.

**FINDING NUMBER 2004-004**

**Material Non-Compliance/Material Weakness**

**Ohio Revised Code Section 149.351** establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

The Village had the following instances of lost and/or missing records in 2004:

- The official minutes were not provided for audit for the year ended December 31, 2004. Ohio Revised Code Section 733.27(A) states, that the village clerk (or fiscal officer) shall attend all meetings of the legislative authority of the village, and keep a record of its proceedings and of all rules, bylaws, resolutions, and ordinances passed or adopted. After the former Village Fiscal Officer left employment with the Village (effective December 10, 2004), the new Fiscal Officer and Council could not find the official Minute Record or the electronic version of their Council meeting minutes for the entire 2004 fiscal year.
- For the year ended December 31, 2004 duplicate receipts books for the utility department were missing. The Utility account ledgers for December 2004 were also missing.

**Client Response:** Currently Council's minutes are being carefully reserved as well as the receipt books and account ledgers for the Utility Deposits.

**FINDING NUMBER 2004-005**

**Material Non-Compliance/Material Weakness**

**Ohio Revised Code Section 733.262**, provides that a village fiscal officer appointed under this section shall perform the duties provided by law for the village clerk and treasurer and any other duties consistent with the nature of the office. **Ohio Revised Code Section 733.28** requires the village clerk keep the books of the village, exhibit accurate statements of all moneys received and expended, of all property owned by the village and income derived there from, and all taxes and assessments.

The Village utilizes the Uniform Accounting System (UAN) provided by the Auditor of State (AOS). Specific account codes maintained within the UAN system that are prescribed by the AOS are required to be used by the Village. These account codes are listed within the UAN Manual also provided by the AOS.

Throughout 2004, the fiscal officer miscoded Enterprise revenues. Also the Utility department's bank balance was not included as a reconciling item by the fiscal officer when preparing either monthly or the year end cash reconciliations. Various other types of revenues received by the Village were also found to be miscoded.

Throughout 2004, the Village fiscal officer was inconsistent in posting expenditures to the proper account codes. The improper posting of expenditures was limited to the program and object levels. A review of expenditures consisting of 74 postings to individual account codes indicated that 61% (45 of 74 postings) were charged to the incorrect program or object level.

The Village also had 4 debt payments during 2004 that were directly debited from the Village bank account but these transactions were not posted to the UAN system.

During 2004, the fiscal officer closed out the villages books each month; however, the fiscal officer did not properly reconcile their fund balances to their bank balances. It was discovered that revenues were being deposited but not posted to the financial records anywhere from 6 to 38 days later. As a result of the testing of the village's cash reconciliations it was determined the cash reconciliations contained errors.

The errors included incorrect and duplicate postings, unrecorded transactions, and unsupported transactions as the result of missing source documents.

Not posting and incorrectly posting transactions to the UAN system may contribute to difficulties in the reconciliation of Village accounts and leads to weaknesses in monitoring financial condition of the Village.

We also noted during our testing of the Village income tax department the posting of individual income tax records were two and one half years in arrears. Taxes were being collected and deposited however no assurances could be provided as to the accuracy of the taxes revenues which were reflected on the Villages financial statements.

After testing the available records and making adjustments to correct the errors referred to in the preceding paragraph the Village's cash fund balances exceeded the total depository balance by \$21,739 which could not be identified. The General Fund balance on the Statement of cash reflects an adjustment which decreased the General Fund balance in the amount of \$21,739 in order to reconcile with the depository as of December 31, 2004.

Base on the facts reported in Findings Number 2004-004 and 2004-005 we were unable to provide an opinion on the Village's Financial Statements as of December 31, 2004

We recommend the Village establish control procedures to assure the Fiscal Officer keep accurate statements of all receipts and disbursements of the village.

**FINDING NUMBER 2004-005  
(Continued)**

**Client Response:** The Village's new Fiscal Officer has worked closely with representatives of the Auditor of State's Office to correct the deficiencies described in Finding 2004-005.

**FINDING NUMBER 2004-006**

**Material Non-Compliance/Material Weakness**

**Ohio Revised Code Section 733.13** places the responsibility for not expending money unless it has been appropriated with the Village fiscal officer. This section states, the fiscal officer shall not allow the amount set aside for any appropriations to be overdrawn, or the amount appropriated for one item of expense to be drawn upon for any other purpose.

**Ohio Revised Code Section 5705.38** states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

**Ohio Revised Code Section 5705.39** states that no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**Ohio Revised Code Section 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

**Ohio Revised Code Section 5705.41 (D)**, states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village did not pass a temporary or permanent appropriation measure and did not file any appropriation measure with the County for 2004. Therefore, all expenditures made during the year ended December 31, 2004 were in excess of appropriations. Also, the fiscal officer could not certify that the amount required for the order or contract had been lawfully appropriated and is in the treasury or in the process of collection.

We recommend the Village establish control policies and procedures to help ensure that the required appropriation measure is timely authorized by Village Council and filed with the County Auditor and that the fiscal officer provide the required certification for village expenditures.

**Client Response:** The Village's is currently working towards meeting guidelines reflected within the Ohio Revised Code regarding appropriations.

**FINDING NUMBER 2004-007**

**Material Non-Compliance/Material Weakness**

**Ohio Revised Code Section 5705.10** states, in part, that money paid into any fund shall be used only for the purpose for which the fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

**FINDING NUMBER 2004-007  
(Continued)**

On December 31, 2004 the following funds had negative cash fund balances:

General Fund	(\$36,874)
Enterprise Debt Service Reserve Fund	(\$ 9,996)

The Village Fiscal Officer should monitor disbursements to ensure overspending does not occur and to assure monies are being used for the purpose for which the funds were established.

Client Response: The current Fiscal Officer is monitoring disbursements to ensure overspending does not occur and to assure monies are being used for purposes for which the funds were established.

**FINDING NUMBER 2004-008**

**Material Weakness-Village Administrator Duties**

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.

As noted in noncompliance citation 2004-005 duplicate receipts books for the utility department for the year ended December 31, 2004 and the Utility account ledger for December 2004 were missing.

In addition, citation 2004-006 also states the village fiscal officer incorrectly coded numerous enterprise receipts.

Based on discussions with the Village Administrator, he had no involvement or knowledge of the accounting system used to track and maintain customers billing and payments. The lack of knowledge relating to the operation of the accounting system and the failure to monitor the accounting records was one of the factors that contributed to the Village receiving a disclaimed opinion.

We recommend the Village Administrator have training so he would be able to train and supervise the Utility Clerk. Also, we would ask Council to consider providing written approval for all bank deposits to be reviewed by the Chief Financial Officer before being deposited. The objective would be that the utility clerk would be monitored on a daily basis because it does not appear to be taking place at the present time.

**Client Response:** The current Village Administrator is overseeing all activities of the Utility Clerks Office and has trained backup personnel on site.



## FINDING NUMBER 2004-009

### Material Weakness-Income Tax Weaknesses

During our review of the Village's income tax transactions, we noted the following problems and weaknesses:

- There were a few postings of income tax receipts (to the revenue ledger), where the amounts posted and deposited did not agree to the total receipts issued, per the triplicate receipts.
- Pre-numbered receipts were issued out of sequence to customers.
- Receipts were not timely deposited. Receipts are held several weeks before being deposited.
- Receipts were not timely posted. Many receipts are posted several weeks after being deposited which may also be several weeks after being received.
- Six out of twenty receipts did not have supporting documentation such as final returns, W-2s, or W-1 Employers Quarterly Withholding Remittance Forms. Five out of twenty receipts had penalties and interest but these amounts could not be substantiated because the supporting documentation was not available or was inaccurate. We noted one instance where the taxpayer was assessed interest due to late filing. However, no penalty was assessed but should have been in accordance with Village Ordinance 1455.
- There was one refund for the 2004 tax year that was paid out of fund 2071 instead of the General Fund. Fund 2071 is the Income Tax Fund of the Village, however, all income tax receipts are recorded in the General Fund and thus all refunds should be charged to the General Fund.
- As of December 2004 the Village was approximately 2 ½ yrs behind in posting income tax receipts to individual taxpayer accounts within the SSI Income Tax Software System.
- During 2004, the Village did not have any controls in place to assure that all residents and businesses subject to taxation were remitting returns.

We recommend the Village review applicable Village ordinances as well as implement effective policies and procedures to ensure that all income tax revenue is accurately and timely posted. Also, the Village should implement procedures to ensure that all interest and penalties are properly assessed in accordance with all Village ordinances and also to ensure that all residents and businesses subject to taxation are remitting returns.

**Client Response:** The Income Tax Department's posting of receipts are current to individual taxpayers accounts within the SSI Income /Tax Software System. The Village as developed controls to ensure all residence and businesses subject to taxation are remitting returns.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2003-001	Revised Code § 5705.41.(D), not properly certifying expenditures	No	See Finding #2004-006
2003-002	Revised Code Sections 735.271 and 735.272 establish the position of Village Administrator and 735.273, provides that the Administrator manage, conduct, and control the water works, furnish supplies of water, and collect all water rents.	No	See Finding #2004 -008
2003-003	As of May 2004, the Village is 2 years behind in entering taxpayer account information and no formal policy has been adopted in set forth a method to monitor and collect delinquent income tax accounts.	No	See Finding #2004-009



**Mary Taylor, CPA**  
Auditor of State

**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 27, 2007**