



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF WINDHAM  
PORTAGE COUNTY

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# Mary Taylor, CPA

Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Mary Taylor, CPA**  
Auditor of State

November 24, 2008

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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

To the Village Council:

We have audited the accompanying financial statements of Village of Windham, Portage County, (the Village) as of and for the year ended December 31, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, 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, as of December 31, 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid, with the first letters of the first and last names being capitalized and prominent.

**Mary Taylor, CPA**  
Auditor of State

November 24, 2008



**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, 2007**

|   | <b>Governmental Fund Types</b> |                            |                             | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|---|
|   | <b>General</b>                 | <b>Special<br/>Revenue</b> | <b>Capital<br/>Projects</b> |   |
| <b>Cash Receipts:</b>   |                                |                            |                             |   |
| Property and Local Taxes  | \$105,012                      | \$11,011                   | \$0                         | \$116,023                               |
| Municipal Income Tax  | 557,771                        |                            |                             | 557,771                                 |
| Intergovernmental   | 140,154                        | 73,578                     |                             | 213,732                                 |
| Special Assessments   |                                | 105                        |                             | 105                                     |
| Charges for Services  | 6,915                          | 13,735                     |                             | 20,650                                  |
| Fines, Licenses and Permits   | 44,862                         | 93                         |                             | 44,955                                  |
| Earnings on Investments   |                                | 2,946                      |                             | 2,946                                   |
| Miscellaneous   | 3,009                          | 12,261                     |                             | 15,270                                  |
| <b>Total Cash Receipts</b>  | <b>857,723</b>                 | <b>113,729</b>             | <b>0</b>                    | <b>971,452</b>                          |
| <b>Cash Disbursements:</b>  |                                |                            |                             |   |
| Current:  |                                |                            |                             |   |
| Security of Persons and Property  | 526,416                        |                            |                             | 526,416                                 |
| Leisure Time Activities   | 1,005                          |                            |                             | 1,005                                   |
| Community Environment   |                                | 67,257                     |                             | 67,257                                  |
| Basic Utility Service   | 5,062                          | 610                        |                             | 5,672                                   |
| Transportation  | 5,250                          | 86,335                     |                             | 91,585                                  |
| General Government  | 201,668                        |                            | 8,746                       | 210,414                                 |
| Capital Outlay  |                                | 777                        |                             | 777                                     |
| <b>Total Cash Disbursements</b>   | <b>739,401</b>                 | <b>154,979</b>             | <b>8,746</b>                | <b>903,126</b>                          |
| <b>Total Receipts Over/(Under) Disbursements</b>  | <b>118,322</b>                 | <b>(41,250)</b>            | <b>(8,746)</b>              | <b>68,326</b>                           |
| <b>Other Financing Receipts / (Disbursements):</b>  |                                |                            |                             |   |
| Transfers-In  |                                | 102                        | 5,048                       | 5,150                                   |
| Transfers-Out   | (5,150)                        |                            |                             | (5,150)                                 |
| Advances-In   |                                | 39,722                     |                             | 39,722                                  |
| Advances-Out  |                                | (80,478)                   |                             | (80,478)                                |
| Other Financing Sources   | 826                            | 250                        |                             | 1,076                                   |
| Other Financing Uses  | (330)                          | (300)                      |                             | (630)                                   |
| <b>Total Other Financing Receipts / (Disbursements)</b>   | <b>(4,654)</b>                 | <b>(40,704)</b>            | <b>5,048</b>                | <b>(40,310)</b>                         |
| <b>Excess of Cash Receipts and Other Financing<br/>Receipts Over/(Under) Cash Disbursements<br/>and Other Financing Disbursements</b> | <b>113,668</b>                 | <b>(81,954)</b>            | <b>(3,698)</b>              | <b>28,016</b>                           |
| <b>Fund Cash Balances, January 1</b>  | <b>54,886</b>                  | <b>181,043</b>             |                             | <b>235,929</b>                          |
| <b>Fund Cash Balances, December 31</b>  | <b>\$168,554</b>               | <b>\$99,089</b>            | <b>(\$3,698)</b>            | <b>\$263,945</b>                        |
| <b>Reserve for Encumbrances, December 31</b>  | <b>\$8,043</b>                 | <b>\$661</b>               | <b>\$0</b>                  | <b>\$8,704</b>                          |

*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, 2007**

|  | <b>Proprietary<br/>Fund Types</b> |
|--|-----------------------------------|
|  | <b>Enterprise</b>                 |
| <b>Operating Cash Receipts:</b>  |                                   |
| Charges for Services   | \$964,438                         |
| Miscellaneous  | 1,201                             |
| Total Operating Cash Receipts  | 965,639                           |
| <b>Operating Cash Disbursements:</b>   |                                   |
| Personal Services  | 240,532                           |
| Employee Fringe Benefits   | 110,236                           |
| Contractual Services   | 261,010                           |
| Supplies and Materials   | 184,528                           |
| Other  | 9,399                             |
| Total Operating Cash Disbursements   | 805,705                           |
| Operating Income/(Loss)  | 159,934                           |
| <b>Non-Operating Cash Receipts:</b>  |                                   |
| Intergovernmental  | 862,287                           |
| Earnings on Investments  | 1,571                             |
| Other Non-Operating Cash Receipts  | 2,192                             |
| Total Non-Operating Cash Receipts  | 866,050                           |
| <b>Non-Operating Cash Disbursements:</b>   |                                   |
| Capital Outlay   | 54,302                            |
| Redemption of Principal  | 869,798                           |
| Interest and Other Fiscal Charges  | 77,817                            |
| Other Non-Operating Cash Disbursements   | 42                                |
| Total Non-Operating Cash Disbursements   | 1,001,959                         |
| Excess of Receipts Over/(Under) Disbursements<br>Before Interfund Transfers and Advances | 24,025                            |
| Transfers-In   | 398,338                           |
| Transfers-Out  | (398,338)                         |
| Advances-In  | 79,292                            |
| Advances-Out   | (38,536)                          |
| Net Receipts Over/(Under) Disbursements  | 64,781                            |
| Fund Cash Balances, January 1  | 195,947                           |
| <b>Fund Cash Balances, December 31</b>   | <b>\$260,728</b>                  |
| Reserve for Encumbrances, December 31  | \$2,532                           |

*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, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Windham, Portage County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police services and fire protection services.

**Public Entity Risk Pool:**

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. Note 8 to the financial statements provide additional information about this entity.

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

**B. Accounting Basis**

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. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

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

The Village values 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.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

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

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Permanent Improvement Fund – This fund would account for a major construction project of one were to occur.

**4. Enterprise Funds**

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

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**

**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. The 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.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(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.

**3. Encumbrances**

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

A summary of 2007 budgetary activity appears in Note 3.

**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:

|                                |                |
|--------------------------------|----------------|
|                                | <u>2007</u>    |
| Demand deposits                | \$440,914      |
| Savings Accounts               | <u>83,759</u>  |
| Total deposits and investments | <u>524,673</u> |

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 follows:

| 2007 Budgeted vs. Actual Receipts |                    |                    |                    |
|-----------------------------------|--------------------|--------------------|--------------------|
| Fund Type                         | Budgeted Receipts  | Actual Receipts    | Variance           |
| General                           | \$954,902          | \$858,549          | (\$96,353)         |
| Special Revenue                   | 321,482            | 114,081            | (207,401)          |
| Capital Projects                  | 13,793             | 5,048              | (8,745)            |
| Enterprise                        | 2,666,025          | 2,230,027          | (435,998)          |
| Total                             | <u>\$3,956,202</u> | <u>\$3,207,705</u> | <u>(\$748,497)</u> |

| 2007 Budgeted vs. Actual Budgetary Basis Expenditures |                         |                        |                  |
|---|-------------------------|------------------------|------------------|
| Fund Type   | Appropriation Authority | Budgetary Expenditures | Variance         |
| General   | \$954,902               | \$752,924              | \$201,978        |
| Special Revenue                                       | 321,482                 | 155,940                | 165,542          |
| Capital Projects                                      | 13,793                  | 8,746                  | 5,047            |
| Enterprise  | 2,666,025               | 2,208,534              | 457,491          |
| Total   | <u>\$3,956,202</u>      | <u>\$3,126,144</u>     | <u>\$830,058</u> |

Contrary to Ohio law, at December 31, 2007, the Permanent Improvement Fund (\$3,698) had a cash deficit balance.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20. 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, 2007  
(Continued)**

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one and one-half 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.

**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

|                                       | <u>Principal</u>          | <u>Interest Rate</u> |
|---------------------------------------|---------------------------|----------------------|
| Ohio Water Development Authority Loan | \$377,394                 | 2%                   |
| USDA Mortgage Revenue Bonds           | <u>\$1,429,000</u>        | 4.3% to 6.5%         |
| Total                                 | <u><u>\$1,806,394</u></u> |                      |

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

In 2005, the Village began the East Center Street Sewer Expansion Project in which they have borrowed a total amount of \$705,000 from the Ohio Water Development Authority (OWDA). As of December 31, 2006, the Village has received \$705,000. The United States Department of Agriculture (USDA) has issued bonds in the amount of \$705,000 to pay the loan in full during 2007.

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 pay 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 covenants, the Village has established and funded two debt service reserve funds, included within the enterprise fund as the water debt service reserve fund and sewer debt service reserve fund. The balance in the funds at December 31, 2007 is \$44,596 and \$1,431, respectively.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007  
(Continued)**

**6. DEBT - (Continued)**

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

| Year ending December 31: | OWDA Loan        | USDA Mortgage<br>Revenue Bonds |
|--------------------------|------------------|--------------------------------|
| 2008                     | \$155,536        | \$95,928                       |
| 2009                     | 155,536          | 98,366                         |
| 2010                     | 77,768           | 99,253                         |
| 2011                     |                  | 98,907                         |
| 2012                     |                  | 98,591                         |
| 2013 - 2017              |                  | 494,352                        |
| 2018 - 2022              |                  | 494,137                        |
| 2023 - 2027              |                  | 494,795                        |
| 2028 - 2032              |                  | 184,925                        |
| 2033 - 2037              |                  | 184,961                        |
| 2038 - 2042              |                  | 184,905                        |
| 2043 - 2047              |                  | 184,695                        |
| Total                    | <u>\$388,840</u> | <u>\$2,713,815</u>             |

**7. RETIREMENT SYSTEMS**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007, OP&F participants contributed 10% of their wages. For 2007, the Village contributed to OP&F an amount equal to 24% of full-time police members' wages. For 2007, OPERS members contributed 9.5% of their gross salaries and the Village contributed an amount equaling 13.7% of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 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, 2007  
(Continued)**

**8. RISK MANAGEMENT - (Continued)**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

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

|                 | <b><u>2007</u></b> | <b><u>2006</u></b> |
|-----------------|--------------------|--------------------|
| Assets          | \$11,136,455       | \$9,620,148        |
| Liabilities     | <u>(4,273,553)</u> | <u>(3,329,620)</u> |
| Members' Equity | <u>\$6,862,902</u> | <u>\$6,290,528</u> |

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. SUBSEQUENT EVENTS**

The Village of Windham filed a lawsuit against the Township of Windham in the Portage County Court of Common Pleas. The case filed by the Village of Windham pertains to the Village Fire Department, an alleged Township Fire District and the Taxing authority of Portage County. At the present time the case is pending and no depositions have been taken and no dispositions have been made. The Village could realize additional revenue for its fire department depending upon the ruling of the Court.

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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 have audited the financial statements of the Village of Windham (the Village) as of and for the year ended December 31, 2007, and have issued our report thereon dated November 24, 2008 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the

Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe findings numbers 2007-001 and 2007-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 24, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, 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 audit 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 item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 24, 2008.

We intend this report solely for the information and use of the audit committee, management, and Members of 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

November 24, 2008

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2007-001**

**Material Noncompliance Citation / Significant Deficiency / Material Weakness**

**Ohio Revised Code Section 5705.10(H)** 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.

During our audit period, the following adjustment for water and sewer money posted to the permanent improvement fund was made to the accounting records and financial statements resulting in the negative fund balance which follows:

|                            |          |
|----------------------------|----------|
| Permanent Improvement Fund | \$ 3,698 |
|----------------------------|----------|

On December 31, 2007 the following fund had negative fund balance resulting from the adjustment:

|                            |            |
|----------------------------|------------|
| Permanent Improvement Fund | (\$ 3,698) |
|----------------------------|------------|

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.

**FINDING NUMBER 2007-002**

**Significant Deficiency / Material Weakness – Enterprise Deposit Fund**

The Village's Enterprise Deposit Fund was established to collect and hold customer deposits when a water service account is opened. These monies are not the property of the Village. The Village simply holds the money in a custodial manner until customers close their water service account. At December 31, 2007, the Enterprise Deposit Fund's fund balance was \$78,732.

However, when reviewing the Village's Utility Billing Deposit Report in their SSI Utility Billing System at December 31, 2007, the amount reflected for customer deposits was \$50,126. Based upon the U/B Deposit Report, the Enterprise Deposit Fund balance is over funded by \$28,732 at December 31, 2007.

The overfunding is a result of the fiscal officer's paying the refunds from the Water and Sewer Operating Funds, respectively, as opposed to paying from the Deposit Fund.

We recommend for Council to make the balances of the Enterprise Deposit Fund and the customer deposits from their SSI Utility Billing System (Utility Billing Deposit Report) equal. The excess balance from the Enterprise Deposit Fund in the amount of \$28,732 may be transferred back to the Water and Sewer Operating funds, respectively. All of this should be done through a formal ordinance with the advice and assistance of the Village's Solicitor.

**FINDING NUMBER 2007-002**  
**(Continued)**

We also recommend the Village maintain the same manner of accounting as all other funds through the following:

- If a customer has a zero balance owed for water and sewer, the Village should issue the reimbursement from Enterprise Deposit Fund to the customer for the total amount of the deposit,
- If the customer has a balance owed for water and sewer and there will be a remainder in the deposit fund which will need to be reimbursed to the customer then transfer the amount needed to meet the outstanding owed amount to the water or sewer funds, respectively, and then refund the customer from the Enterprise Deposit Fund the remaining balance.
- If the customer has their water service shut off and there is an amount owed that is greater than the deposit amount then transfer the entire deposit amount to the respective water or sewer fund and when the customer pays the remaining balance credit the customer's accounts following the normal procedure for receipting utility billing receipts.

Implementation may aid in more accountability and an accurate fund balance in the Enterprise Deposit Fund.

**Officials Response**

With respect to the material citation and reportable condition in the 2007 audit report Finding Number 2007-001 and 2007-002, we believe the material citation and reportable condition have been addressed through the end of 2008.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

| <b>Finding<br/>Number</b> | <b>Finding<br/>Summary</b>   | <b>Fully<br/>Corrected?</b> | Not Corrected, Partially<br>Corrected; Significantly<br>Different Corrective Action<br>Taken; or Finding No Longer<br>Valid; <b><i>Explain</i></b> |
|---------------------------|--|-----------------------------|--|
| 2006-001                  | Finding for Recovery –<br>Public Monies Illegally<br>Expended  | No                          |  |
| 2006-002                  | Finding for Recovery –<br>Overpayment of Wages   | Partially                   | Entered into a payment plan<br>with Council  |
| 2006-003                  | Revised Code Sections<br>733.262 and 733.28<br>village clerk to keep the<br>books of the village,<br>exhibit accurate<br>statements of all monies<br>received and expended | Yes                         |  |
| 2006-004                  | Revised Code Section<br>5705.10(H) negative fund<br>cash balances  | No                          | Repeated 2007-001  |
| 2006-005                  | Payroll Weaknesses   | Yes                         |  |
| 2006-006                  | Enterprise Deposit Fund  | No                          | Repeated 2007-002  |







**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  
DECEMBER 11, 2008**