



Certified Public Accountants, A.C.

**VILLAGE OF WINDHAM
PORTAGE COUNTY
Regular Audit
For the Year Ended December 31, 2016**

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740.373.0056

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Dave Yost • Auditor of State

Village Council
Village of Windham
9083 North Main Street
Windham, Ohio 44288

We have reviewed the *Independent Auditor's Report* of the Village of Windham, Portage County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

FINDING FOR RECOVERY

As Village Utility Clerk, Lindsey Paoella was responsible for collecting customer payments, issuing carbon copy receipts, preparing batch deposits and depositing funds into the Village bank account. Ms. Paoella was also responsible for posting payments to customer accounts.

During the period January 1, 2016 through October 5, 2016, cash payments totaling \$4,911 were not posted to 28 customer accounts. Proof of the cash payments consisted of carbon copy receipts which included Ms. Paoella's initials on all 28 receipts. For 20 of the 28 payments, the entire customer payment was not posted to the Village's utility software system nor deposited into the Village bank account. For the remaining eight, only part of the customer payment was posted to the utility software system and deposited. The utility software system indicated Ms. Paoella posted the eight payments.

Ms. Paoella created adjustments in the Village's utility software system to reduce the balances of 19 customer accounts for payments which were not posted. For each of these instances, the utility software system indicated Ms. Paoella posted the 19 adjustments.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a finding for recovery for public monies converted or misappropriated totaling \$4,911 is hereby issued against Lindsey Paoella, and her bonding company, Ohio Plan Risk Management, Inc., jointly and severally, in favor of the Village of Windham, to be specifically allocated between the Water and Sewer Funds as well as other applicable utility funds.

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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Windham is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

July 11, 2018

VILLAGE OF WINDHAM
PORTAGE COUNTY

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INDEPENDENT AUDITOR'S REPORT

May 29, 2018

Village of Windham
Portage County
9083 North Main Street
Windham, Ohio 44288

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the **Village of Windham**, Portage County, (the Village) as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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...*"bringing more to the table"*

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Windham, Portage County, as of December 31 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 60,980	\$ -	\$ 60,980
Municipal Income Tax	475,229	-	475,229
Intergovernmental	69,448	82,541	151,989
Charges for Services	-	13,229	13,229
Fines, Licenses and Permits	48,805	150	48,955
Earnings on Investments	232	34	266
Miscellaneous	67,523	2,424	69,947
<i>Total Cash Receipts</i>	<u>722,217</u>	<u>98,378</u>	<u>820,595</u>
Cash Disbursements			
Current:			
Security of Persons and Property	405,073	1,176	406,249
Leisure Time Activities	9,966	-	9,966
Community Environment	-	6,762	6,762
Basic Utility Services	6,700	-	6,700
Transportation	29,779	79,384	109,163
General Government	229,484	-	229,484
Capital Outlay	-	2,900	2,900
Debt Service:			
Principal Retirement	20,317	-	20,317
Interest and Fiscal Charges	1,863	-	1,863
<i>Total Cash Disbursements</i>	<u>703,182</u>	<u>90,222</u>	<u>793,404</u>
<i>Excess of Receipts Over Disbursements</i>	<u>19,035</u>	<u>8,156</u>	<u>27,191</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	5,764	-	5,764
Other Financing Uses	-	(100)	(100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,764</u>	<u>(100)</u>	<u>5,664</u>
<i>Net Change in Fund Cash Balances</i>	24,799	8,056	32,855
<i>Fund Cash Balances, January 1</i>	<u>372,381</u>	<u>84,713</u>	<u>457,094</u>
Fund Cash Balances, December 31			
Restricted	-	92,769	92,769
Unassigned	397,180	-	397,180
<i>Fund Cash Balances, December 31</i>	<u>\$ 397,180</u>	<u>\$ 92,769</u>	<u>\$ 489,949</u>

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

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 801,375	\$ -	\$ 801,375
<i>Total Operating Cash Receipts</i>	<u>801,375</u>	<u>-</u>	<u>801,375</u>
Operating Cash Disbursements			
Personal Services	213,982	-	213,982
Employee Fringe Benefits	62,726	-	62,726
Contractual Services	207,218	-	207,218
Supplies and Materials	186,568	-	186,568
Other	2,846	-	2,846
<i>Total Operating Cash Disbursements</i>	<u>673,340</u>	<u>-</u>	<u>673,340</u>
<i>Operating Income</i>	<u>128,035</u>	<u>-</u>	<u>128,035</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	79	-	79
Miscellaneous Receipts	1,014	-	1,014
Capital Outlay	(23,746)	-	(23,746)
Principal Retirement	(51,818)	-	(51,818)
Interest and Other Fiscal Charges	(58,120)	-	(58,120)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(132,591)</u>	<u>-</u>	<u>(132,591)</u>
<i>Income before Transfers</i>	(4,556)	-	(4,556)
Transfers In	99,626	-	99,626
Transfers Out	(99,626)	-	(99,626)
<i>Net Change in Fund Cash Balances</i>	(4,556)	-	(4,556)
<i>Fund Cash Balances, January 1</i>	<u>808,564</u>	<u>536</u>	<u>809,100</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 804,008</u>	<u>\$ 536</u>	<u>\$ 804,544</u>

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

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting 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, and police Services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 11 and 6 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

The Village is a member of the WVFD Joint Fire District, which provides fire protection and EMS services to Village residents.

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Permissive Motor Vehicle License Tax – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Fund – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for unclaimed monies held on behalf of individuals whom they have not been able to locate.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

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 2016 budgetary activity appears in Note 3.

VILLAGE OF WINDHAM
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits 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 invests all available funds in checking and savings accounts.

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 749,252	\$ 727,981	\$ (21,271)
Special Revenue	105,427	98,378	(7,049)
Enterprise	945,916	902,094	(43,822)
Total	\$ 1,800,595	\$ 1,728,453	\$ (72,142)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 743,412	\$ 705,075	\$ 38,337
Special Revenue	110,032	90,322	19,710
Enterprise	1,026,958	908,206	118,752
Total	\$ 1,880,402	\$ 1,703,603	\$ 176,799

Note 4 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand deposits	\$ 1,294,493
Total deposits	\$ 1,294,493

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

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 5 – Taxes

Property Taxes

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.

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

Income Taxes

The Village levies a municipal income tax of one and one-half percent on substantially all earned income arising from, 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.

Note 6 – Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 6 – Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u> <u>\$22,200</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 7 – Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Social Security

Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Mortgage Revenue Bonds	\$ 1,124,700	4.25 - 5.75%
Ohio Public Works Commission CG32P	35,000	0.00%
Cortland Bank	77,819	2.75%
Total	<u>\$ 1,237,519</u>	

In 1987, \$965,000 of Mortgage Revenue Bonds were issued by the United States Department of Agriculture (USDA) for waterworks system improvements. Property and revenue of the utility facilities have been pledged to pay these bonds. The Village has agreed to set utility rates sufficient to cover these USDA Mortgage Revenue 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 had received the \$705,000. In 2007, the United States Department of Agriculture (USDA) issued bonds for the Village in the amount of \$705,000 to pay the OWDA loan in full during 2007. The Village has agreed to set utility rates sufficient to cover these USDA bond service requirements.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 9 – Debt (Continued)

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.

The Ohio Public Works Commission (OPWC) loan relates to the resurfacing of Village roads. The original loan was for \$50,000. The loan will be repaid in semi-annual installments of \$2,500, including interest, over 10 years.

The Cortland Bank loan relates to the new administration building. The original loan was for \$300,850. During 2013, \$125,850 was disbursed for the purchase of the building. The remaining \$175,000 will be disbursed in the upcoming year to pay for renovations to the building. The balance on the disbursed amount of \$125,850 as of December 31, 2016 is \$77,819. The remaining balance of \$175,000 has not been disbursed as of December 31, 2016. The loan will be repaid in monthly installments of \$1,631. This loan is a twenty-year loan.

Leases

The Village leases vehicles under non-cancelable leases. The Village disbursed \$54,938 to pay lease costs for the year ended December 31, 2016.

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

Year ending December 31:	USDA Mortgage Revenue Bonds	OPWC CG32P	Cortland Bank Loan
2017	\$ 98,410	\$ 5,000	\$ 19,573
2018	98,479	5,000	19,752
2019	98,516	5,000	19,752
2020	99,317	5,000	19,752
2021	99,128	5,000	19,752
2022-2026	494,153	12,500	98,760
2027-2031	247,288	-	98,760
2032-2036	184,960	-	39,504
2037-2041	184,920	-	-
2042-2046	184,754	-	-
2047	36,905	-	-
Total	<u>\$ 1,826,830</u>	<u>\$ 37,500</u>	<u>\$ 335,605</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 11 – Jointly Governed Organizations

WVFD Joint Fire District (the District): The District provides fire and EMS services to its members. District members include Village of Windham and Windham Township. The District is governed by a three-member board consisting of one official from each member's elected governing body and one at large member that is appointed by the other two members. The District is solely funded by voter approved tax levies. No funding is received from district members.

Note 12 – Transfers

During 2016, the following transfers were made:

	Transfers In	Transfers Out
Water Operating	\$ -	\$ (64,447)
Sewer Operating	-	(35,179)
Water Debt	60,000	-
Water Debt Service	4,447	-
Sewer Debt	27,012	-
Sewer Debt Service	4,447	-
Sewer Debt Service Reserve	3,720	-
Total	\$ 99,626	\$ (99,626)

During 2016 transfers were made from the Water Operating and Sewer Operating Funds to pay debt service payments and fund reserve accounts. These transfers were deemed allowable and in compliance with the Ohio Revised Code.

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Certified Public Accountants, A.C.

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

May 29, 2018

Village of Windham
Portage County
9083 North Main Street
Windham, Ohio 44288

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the **Village of Windham**, Portage County, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements and have issued our report thereon dated May 29, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 29, 2018.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

Utility Adjustments

Adequate records were not maintained to support noncash adjustments made to customer accounts by the Village. Noncash adjustments made to individual customer accounts were not approved by the Village Administrator or Council or reviewed by anyone other than the individual making the adjustment to customer accounts. Failure to properly document and approve adjustments to customer accounts resulted in theft of utility services and misappropriation of Village funds in 2016.

PIAT completed an analysis of all customer utility payments paid to the Village for the period January 1, 2016 through October 5, 2016 to determine whether any funds were not properly deposited. The special audit noted the following results:

- Cash payments totaling \$4,911 were not posted to 28 customer accounts for the period. Proof of the cash payments consisted of carbon copy receipts from the Village Utility receipt books which included the Utility Clerk's initials on all 28 receipts.
- For 20 of the 28 payments, the entire customer payment was not posted to the CMI Utility software system nor deposited into a Village bank account. For the remaining eight, only part of the customer payment was posted to the CMI Utility software system and deposited into the Village bank account. The CMI Utility software system indicated the Utility Clerk posted the eight payments.
- Of the 28 customer accounts noted above, 19 had adjustments to reduce the balances when payments were not posted. Of these 19 adjustments, five had Account Adjustment Forms requested by the Utility Clerk. The CMI Utility software system indicated all 19 adjustments were posted by the Utility Clerk. The remaining nine customer accounts did not have adjustments to reduce the balances when payments were not posted.

Based upon the results above, a Finding for Recovery was issued against the Utility Clerk and her bonding company in the amount of \$4,911.

We recommend the Village create a formal policy for utility billings and collections, including procedures for the Fiscal Officer reviewing and approving all adjustments to customer accounts and documenting these approvals in the Council minute record.

Management's Response – We did not receive a response from management to the finding above.

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Dave Yost • 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
JULY 24, 2018