



**VILLAGE OF WINDHAM  
PORTAGE COUNTY  
REGULAR AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., #A  
St. Clairsville, OH 43950  
740 695 1569

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OHIO AUDITOR OF STATE  
KEITH FABER



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Members of Council  
Village of Windham  
9083 North Main Street  
Windham, OH 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, 2019 through December 31, 2019. 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.

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 "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio  
December 11, 2020

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PORTAGE COUNTY  
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## INDEPENDENT AUDITOR'S REPORT

October 28, 2020

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, Ohio (the Village) as of and for the year ended December 31, 2019.

### ***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 such 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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***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, 2019, and the respective changes in financial position or cash flows thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Windham, Portage County as of December 31, 2019, and 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.

***Emphasis of Matter***

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, 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 & 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, 2019**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 63,952	\$ -	\$ 63,952
Municipal Income Tax	501,849	-	501,849
Intergovernmental	78,926	91,240	170,166
Special Assessments	3,576	-	3,576
Charges for Services	15,500	18,998	34,498
Fines, Licenses and Permits	65,542	417	65,959
Earnings on Investments	18,939	833	19,772
Miscellaneous	167,601	1,700	169,301
<i>Total Cash Receipts</i>	<u>915,885</u>	<u>113,188</u>	<u>1,029,073</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	459,506	1,281	460,787
Leisure Time Activities	15,923	-	15,923
Community Environment	-	10,808	10,808
Basic Utility Services	10,419	-	10,419
Transportation	154,087	60,592	214,679
General Government	257,816	9,041	266,857
Capital Outlay	1,500	8,073	9,573
Debt Service:			
Principal Retirement	13,372	3,266	16,638
Interest and Fiscal Charges	8,706	378	9,084
<i>Total Cash Disbursements</i>	<u>921,329</u>	<u>93,439</u>	<u>1,014,768</u>
<i>Net Change in Fund Cash Balances</i>	(5,444)	19,749	14,305
<i>Fund Cash Balances, January 1</i>	<u>350,523</u>	<u>139,755</u>	<u>490,278</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	159,504	159,504
Assigned	100,982	-	100,982
Unassigned	244,097	-	244,097
<i>Fund Cash Balances, December 31</i>	<u>\$ 345,079</u>	<u>\$ 159,504</u>	<u>\$ 504,583</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, 2019**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 981,594	\$ -	\$ 981,594
<i>Total Operating Cash Receipts</i>	<u>981,594</u>	<u>-</u>	<u>981,594</u>
<b>Operating Cash Disbursements</b>			
Personal Services	277,418	-	277,418
Employee Fringe Benefits	72,679	-	72,679
Contractual Services	197,040	-	197,040
Supplies and Materials	210,232	-	210,232
Other	5,955	-	5,955
<i>Total Operating Cash Disbursements</i>	<u>763,324</u>	<u>-</u>	<u>763,324</u>
<i>Operating Income (Loss)</i>	<u>218,270</u>	<u>-</u>	<u>218,270</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	168,359	-	168,359
Earnings on Investments (proprietary funds only)	618	-	618
Other Debt Proceeds	316,761	-	316,761
Miscellaneous Receipts	11,691	-	11,691
Capital Outlay	(479,775)	-	(479,775)
Principal Retirement	(102,907)	-	(102,907)
Interest and Other Fiscal Charges	(59,444)	-	(59,444)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(144,697)</u>	<u>-</u>	<u>(144,697)</u>
<i>Income (Loss) before Transfers</i>	73,573	-	73,573
Transfers In	97,766	-	97,766
Transfers Out	(97,766)	-	(97,766)
<i>Net Change in Fund Cash Balances</i>	73,573	-	73,573
<i>Fund Cash Balances, January 1</i>	<u>977,773</u>	<u>536</u>	<u>978,309</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,051,346</u>	<u>\$ 536</u>	<u>\$ 1,051,882</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, 2019**

**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 12 and 7 to the financial statements provide additional information for these entities. These organizations are:

**Jointly Governed Organization:**

The Village participates in one jointly governed organization. Note 12 to the financial statements provide additional information about this entity. The Village is a member of the WVFD Joint Fire District, which provides for fire protection and EMS services to Village residents.

**Public Entity Risk Pool:**

The Village belongs to the Public Entities Pool of Ohio (PEP) an unincorporated, non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Member”). Note 7 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.

**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 Funds:

Street Construction, Maintenance and Repair Fund – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

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

**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 accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating 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.

VILLAGE OF WINDHAM  
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)

**Note 2 – Summary of Significant Accounting Policies (Continued)**

A summary of 2019 budgetary activity appears in Note 4.

***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. The Village values savings accounts at cost.

***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, 2019  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Fund Balance (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 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Fund by \$451,319 for the year ended December 31, 2019.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 687,987	\$ 915,885	\$ 227,898
Special Revenue	95,479	113,188	17,709
Enterprise	930,683	1,576,789	646,106
Total	\$ 1,714,149	\$ 2,605,862	\$ 891,713

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 965,000	\$ 923,978	\$ 41,022
Special Revenue	115,500	93,609	21,891
Enterprise	1,097,000	1,505,401	(408,401)
Total	\$ 2,177,500	\$ 2,522,988	\$ (345,488)

**Note 5 – 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, 2019 was as follows:

Demand deposits	\$ 397,349
Other time deposits (savings and NOW accounts)	1,159,116
Total deposits	\$ 1,556,465

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 6 – 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 7 – Risk Management**

**Risk Pool Membership**

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$38,432,610
Actuarial liabilities	\$14,705,917

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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, 2019.

***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 12.5% 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, 2019.

***Social Security***

Some of the 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, 2019.

**Note 9 - 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 OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.



**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 10 - Debt**

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bonds	\$ 987,800	4.25 - 5.75%
OPWC CG32P	20,000	0.00%
OPWC CG24S	6,635	0.00%
OPWC CG40R	135,000	0.00%
OPWC CG42V	128,400	0.00%
Cortland Bank - Building	210,144	2.75%
OWDA #7474	47,308	2.51%
OWDA #7606	470,635	0.98%
OWDA #8160	4,414	0.00%
Kansas State Bank - Excavator	24,369	3.82%
Total	\$ 2,034,705	

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. This debt is paid out of the Water Debt Service Fund.

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. This debt is paid out of the Sewer Debt Service Fund.

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 balance in these funds at December 31, 2019 is \$63,693 and \$37,543 respectively.

OPWC Loan CG32P was issued in 2014 for \$50,000 for the resurfacing of Village roads. This loan will be repaid in semi-annual installments of \$2,500 at 0% interest, over 10 years. OPWC Loan CG24S was issued in 2017 for \$9,478 for the resurfacing of Village roads. This loan will be repaid in semiannual installments of \$474 at 0% interest, over 10 years. This debt is paid out of the General Fund.

OPWC Loan CG40R was issued in 2019 for \$150,000 for water treatment plant improvements. This loan will be repaid in semi-annual installments of \$7,500 at 0% interest, over 10 years. OPWC Loan CG42V was issued in 2019 for \$128,400 for water tower improvements. This loan will be repaid in semi-annual installments of \$6,420 at 0% interest, over 10 years. This debt is paid out of the Water Fund.

The Cortland Bank loan relates to the new administration building. The loan was for \$300,850 and was issued in 2013. The loan is currently being repaid in monthly installments of \$1,792. This loan is a twenty-year loan. This debt is paid out of the General, Water Operating, and Sewer Operating Funds.

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 10 – Debt (Continued)**

The OWDA loan #7474 is for additional engineering for the Water Plant Improvements – Phase 1. This loan was issued in 2017 for \$50,800. This loan will be repaid in semi-annual installments of \$1,270 for 5 years, with the last payment being a balloon payment of \$46,114 at 2.51% interest. There is currently no amortization schedule available for this loan as of the date of this report. This debt is paid out of the Water Operating Fund.

The OWDA loan #7606 is for the Waste Water Treatment Plant Improvements. The original loan is for \$552,395. During 2018, \$368,541 was disbursed for the Waste Water Treatment Plant Improvements. This loan will begin being repaid in July 2019 for 20 years at .98% interest. There is currently no amortization schedule available for this loan as of the date of this report. This debt is paid out of the Sewer Operating Fund.

The OWDA loan #8160 is for waste water system improvements. During 2019, \$12,407 was disbursed for the waste water system improvements. This loan is being repaid in semi-annual installments of \$1,524. There is currently no amortization schedule available for this loan as of the date of this report. This debt is paid out of the Sewer Operating Fund.

In April 2017, the Village entered into a capital lease agreement for a Kubota Excavator at a total cost of \$49,689 paid in five years with monthly payments of \$911, beginning in May 2017, at the interest rate of 3.82%. At the completion of the lease, on June 2022 the Village has the option to purchase the Kubota Excavator at the price of \$0. This debt is paid out of the Water Operating, Sewer Operating, and Street Construction, Maintenance, and Repair Funds.

**Leases**

The Village leases vehicles under non-cancelable leases. The Village disbursed \$10,933 to pay lease costs for the year ended December 31, 2019.

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

Year ending December 31:	USDA Mortgage Revenue Bonds	OPWC Loans	Cortland Bank Loan	Kansas State Bank Lease
2020	\$ 99,327	\$ 16,894	\$ 21,504	\$ 10,932
2021	99,128	33,788	21,504	10,932
2022	98,699	33,788	21,504	3,644
2023	99,133	33,788	21,504	-
2024	99,374	31,288	21,504	-
2025-2029	370,289	134,069	107,520	-
2030-2034	184,922	6,420	21,504	-
2035-2039	184,894	-	-	-
2040-2044	184,879	-	-	-
2045-2049	110,789	-	-	-
Total	<u>\$ 1,531,434</u>	<u>\$ 290,035</u>	<u>\$ 236,544</u>	<u>\$ 25,508</u>

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(Continued)**

**Note 11 – 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.

**Note 12 – Jointly Governed Organizations**

WVFD Joint Fire District (the District): The District provides fire and EMS services to its members. District members include the 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 13 – Transfers**

During 2019, the following transfers were made:

	Transfers In	Transfers Out
Water Operating	\$ -	\$ (60,745)
Sewer Operating	-	(37,021)
Water Debt	60,000	-
Sewer Debt	36,972	-
Water Debt Service Reserve	745	-
Sewer Debt Service Reserve	49	-
Total	<u>\$ 97,766</u>	<u>\$ (97,766)</u>

2019 transfers were made from the Water Operating and Sewer Operating Funds to pay debt service payments and to fund the Water and Sewer Debt Service Reserve Funds. These transfers were deemed allowable and in compliance with the Ohio Revised Code.

**Note 14 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

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

October 28, 2020

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, 2019, and the related notes to the financial statements and have issued our report thereon dated October 28, 2020, 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 and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

**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.

Tax - Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll – Litigation Support – Financial Investigations  
Members: American Institute of Certified Public Accountants  
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

**Internal Control Over Financial Reporting (Continued)**

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 2019-001 to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2019-002.

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

**VILLAGE OF WINDHAM  
PORTAGE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness**

**Financial Reporting**

The Village should have procedures and controls in place to prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2019, receipts, disbursements, and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Outstanding encumbrances and budget carryover were misclassified as Unassigned instead of Assigned in the General Fund in 2019;
- Receipts for Special Assessments were misclassified as Property and Other Local Taxes in the General Fund in 2019;
- Receipts for the provision of police services were misclassified as Miscellaneous instead of Charges for Services in the General Fund in 2019;
- A grant receipt was misclassified as Miscellaneous instead of Intergovernmental in the General Fund in 2019;
- Gas excise and auto license receipts were not properly allocated in the Street and State Highway Funds in 2019;
- Capital lease payments were misclassified as Capital Outlay instead of Principal Retirement and Interest and Other Fiscal Charges in the Street Fund in 2019;
- An OPWC grant receipt was misclassified as Miscellaneous instead of Intergovernmental in the Water Fund in 2019;
- A debt payment to OWDA was recorded entirely as Principal Retirement and did not properly classify the portion of the payment that was for Interest and Other Fiscal Charges in the Sewer Fund in 2019; and
- On-behalf grant and loan activity from OPWC and OWDA were not recorded to the Village's accounting records in the Water Fund in 2019.

Not posting receipts, disbursements, and fund balances accurately resulted in the financial statements requiring several adjustments and reclassifications. The Village has made the adjustments to their accounting system. The financial statements reflect all adjustments and reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenses are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

**Management's Response** – Officials did not provide a response to this finding.

VILLAGE OF WINDHAM  
PORTAGE COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

FINDING NUMBER 2019-002

**Noncompliance**

**Expenditures Exceeding Appropriations**

**Ohio Revised Code, § 5705.41(B)**, provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

In 2019, we noted that expenditures exceeded appropriations in the Water Fund.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Village encountering deficit spending.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Management's Response** – Officials did not provide a response to this finding.

VILLAGE OF WINDHAM  
PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Financial Reporting	Not Corrected	Repeated as Finding 2019-001



# OHIO AUDITOR OF STATE KEITH FABER



**VILLAGE OF WINDHAM**

**PORTAGE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 12/24/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)