



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.

Mary Taylor

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Auditor of State

November 9, 2010

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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 the Village of Windham, Portage County, (the Village) as of and for the year ended December 31, 2009. 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 opinion.

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.

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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, 2009 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, 2009, 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, 2009, and its combined cash receipts and disbursements for the year 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 9, 2010, 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.

The Village has not fully paid the Auditor of State for services provided more than one year prior to our opinion date. AICPA Code of Professional Conduct, ET Section 191 considers this circumstance to impair an auditor's independence. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. Ohio Revised Code § 117.13 also includes provisions to collect unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located.



Mary Taylor, CPA
Auditor of State

November 9, 2010

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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$105,868	\$10,831		\$116,699
Municipal Income Tax	477,806			477,806
Intergovernmental	120,175	64,885	\$44,475	229,535
Charges for Services	3,790	15,670		19,460
Fines, Licenses and Permits	54,220			54,220
Earnings on Investments	2,043	224		2,267
Miscellaneous	62	75		137
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	763,964	91,685	44,475	900,124
Cash Disbursements:				
Current:				
Security of Persons and Property	530,898	1,900		532,798
Leisure Time Activities	1,040			1,040
Community Environment		16,750		16,750
Basic Utility Service	3,592			3,592
Transportation	3,963	112,763		116,726
General Government	233,925			233,925
Capital Outlay			44,475	44,475
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	773,418	131,413	44,475	949,306
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(9,454)	(39,728)	0	(49,182)
Other Financing Receipts / (Disbursements):				
Advances-In		19,823		19,823
Other Financing Sources	43,314	1,346		44,660
Other Financing Uses		(245)		(245)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	43,314	20,924	0	64,238
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	33,860	(18,804)	0	15,056
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	306,189	89,270		395,459
Fund Cash Balances, December 31	<hr/> \$340,049 <hr/>	<hr/> \$70,466 <hr/>	<hr/> \$0 <hr/>	<hr/> \$410,515 <hr/>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$10,361	\$1,084	\$0	\$11,445

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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,000,902	\$0	\$1,000,902
Miscellaneous	1,000		1,000
Total Operating Cash Receipts	<u>1,001,902</u>	<u>0</u>	<u>1,001,902</u>
Operating Cash Disbursements:			
Personal Services	235,536		235,536
Employee Fringe Benefits	108,248		108,248
Contractual Services	167,626		167,626
Supplies and Materials	195,034		195,034
Other	48,242		48,242
Total Operating Cash Disbursements	<u>754,686</u>	<u>0</u>	<u>754,686</u>
Operating Income/(Loss)	<u>247,216</u>	<u>0</u>	<u>247,216</u>
Non-Operating Cash Receipts:			
Earnings on Investments	437		437
Miscellaneous Receipts	235		235
Other Non-Operating Cash Receipts	10,593		10,593
Total Non-Operating Cash Receipts	<u>11,265</u>	<u>0</u>	<u>11,265</u>
Non-Operating Cash Disbursements:			
Capital Outlay	11,192		11,192
Redemption of Principal	179,918		179,918
Interest and Other Fiscal Charges	73,985		73,985
Total Non-Operating Cash Disbursements	<u>265,095</u>	<u>0</u>	<u>265,095</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(6,614)	0	(6,614)
Transfers-In	265,195		265,195
Transfers-Out	(265,195)		(265,195)
Advances-Out	(19,823)		(19,823)
Net Receipts Over/(Under) Disbursements	(26,437)	0	(26,437)
Fund Cash Balances, January 1	<u>249,670</u>	<u>443</u>	<u>250,113</u>
Fund Cash Balances, December 31	<u>\$223,233</u>	<u>\$443</u>	<u>\$223,676</u>
Reserve for Encumbrances, December 31	<u>\$17,345</u>	<u>\$0</u>	<u>\$17,345</u>

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, 2009**

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. 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 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, 2009
(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 received proceeds from on-behalf grants from the Ohio Public Works Commission (OPWC) for the Storm Sewer Catch Basin Replacement Program. On-behalf grants represent monies in which the State makes payments to the contractor(s) for its share based on invoices submitted by the Village. The State will then notify the Village's fiscal officer of the amount disbursed.

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

Sewer 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.

5. 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.

The Village has no private purpose trust funds.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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.

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 2009 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.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2009
Demand deposits	\$572,444
Savings Accounts	61,747
Total deposits and Investments	634,191

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,213,694	\$807,278	(\$406,416)
Special Revenue	403,696	93,031	(310,665)
Capital Projects	0	44,475	44,475
Enterprise	1,476,940	1,278,362	(198,578)
Total	\$3,094,330	\$2,223,146	(\$871,184)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$865,146	\$783,779	\$81,367
Special Revenue	218,986	132,742	86,244
Capital Projects	0	44,475	(44,475)
Enterprise	1,304,786	1,302,339	2,447
Total	\$2,388,918	\$2,263,335	\$125,583

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects Fund by \$44,475 for the year ended December 31, 2009.

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.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

4. PROPERTY TAX – (Continued)

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.

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, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$76,948	2%
USDA Mortgage Revenue Bonds	1,374,300	4.30% - 6.50%
Total	<u>\$1,451,248</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 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

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, 2009 is \$54,694 and \$7,052, respectively.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

6. DEBT - (Continued)

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

Year ending December 31:	OWDA Loan	USDA Mortgage Revenue Bonds
2010	\$77,768	\$99,253
2011		98,907
2012		98,591
2013		99,101
2014		98,583
2015-2019		493,661
2020-2024		495,650
2025-2029		370,290
2030-2034		184,922
2035-2039		184,894
2040-2044		184,879
2045-2077		110,789
Total	\$77,768	\$2,519,520

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 2009, OP&F participants contributed 10% of their wages. For 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2009, 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, 2008.

8. RISK MANAGEMENT

Risk Pool Membership

The Government 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 Ohio governments ("Members"). The Plan is legally separate from its member governments.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

8. RISK MANAGEMENT – (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008. The Government does not participate in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Government does not participate in this coverage.

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: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members’ Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

**VILLAGE OF WINDHAM
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)**

9. SUBSEQUENT EVENTS

On January 1, 2010 the Village and the Township of Windham established the 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 five-member Board consisting of one official from each member's elected governing body, one resident from the Village and Township, and one additional member from the joint community of Windham to be determined by the District Board. During 2010, the District will be funded by the Village and Township from their respective existing two-mil levies. From January 1, 2011 forward, the District will be solely funded by voter approved tax levies specifically for the District.



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, 2009, and have issued our report thereon dated November 9, 2010 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. The Village also has not paid the Auditor of State certain audit fees for services provided more than one year prior to November 9, 2010. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings 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, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 9, 2010.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 9, 2010

VILLAGE OF WINDHAM
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009

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

1. NOT ACCOUNTING FOR GRANT REVENUES EXPENDED ON BEHALF OF THE VILLAGE

Finding Number	2009-001
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Noncompliance And Material Weakness

Ohio Revised Code Section 5705.09(F) requires that a subdivision establish a special fund for each class of revenue derived from a source, other than general property tax, which the law requires to be used for a particular purpose. Furthermore, Auditor of State Bulletin 2002-004 clarifies the application of section 5705.09 to Issue 2 projects, and notes that Village Council should establish, by resolution, a separate Capital Projects Fund to account for each Issue 2 project funded from the Ohio Public Works Commission. Additionally, Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village of Windham did not establish the required Capital Projects (Issue 2) Funds in accordance with Ohio Revised Code § 5705.09(F), nor did they record the related revenues of \$44,475 and expenditures of \$44,475. The Village's Issue 2 monies went directly from the Ohio Public Works Commission to the appropriate contractor, as is common procedure with Issue 2 funding, and the Village did not record these monies coming into the Village or being expended to the contractor as required. Consequently, the Village also violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate these monies. (The financial statements include the proper adjustments to reflect the Issue 2 project activity within the Capital Projects Fund.)

We recommend that the Village establish a separate Capital Projects Fund for each Issue 2 project in order to account for the related receipts and disbursements to the extent the local government has received a benefit from each project and budget for these monies accordingly.

Official's Response: We will correct this for all future periods.

2. FINDING FOR RECOVERY – COMPENSATION OVERPAYMENTS

Finding Number	2009-002
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Finding For Recovery Repaid Under Audit

Village of Windham Ordinance 2008-29 states that effective for the first payroll in 2009 an additional \$0.05 per hour, or the salaried equivalent, shall be paid to any full time employee with an accredited Associates Degree. An additional \$0.10 per hour, or salaried equivalent, shall be paid to any full time employee with an accredited Bachelors Degree. An additional \$0.15 per hour, or salaried equivalent, shall be paid to any full time employee with an accredited Masters Degree.

During 2009, the Fiscal Officer maintained an accredited Bachelors Degree and was entitled to an additional \$0.10 per hour compensation. However, the Fiscal Officer erroneously paid himself at the rate of \$0.15 per hour thereby overpaying himself by \$4.00 per pay for 26 pays or by a total of \$104.00.

2. FINDING FOR RECOVERY – COMPENSATION OVERPAYMENTS – (Continued)

Finding Number	2009-002
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In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Lloyd Billman, Fiscal Officer, and Liberty Mutual, his surety jointly and severally in the amount of one hundred and four dollars (\$104.00), and in favor of the Village of Windham’s General Fund, in the amount of one hundred four dollars (\$104.00).

Official’s Response: Mr. Lloyd Billman paid \$104.00 to the Village of Windham on July 15, 2010 while the audit was in progress.

3. FINDING FOR RECOVERY – COMPENSATION OVERPAYMENTS

Finding Number	2009-003
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Finding For Recovery Repaid Under Audit

Village of Windham Ordinance 2008-29 states that effective for the first payroll in 2009 an additional \$0.05 per hour, or the salaried equivalent, shall be paid to any full time employee with an accredited Associates Degree. An additional \$0.10 per hour, or salaried equivalent, shall be paid to any full time employee with an accredited Bachelors Degree. An additional \$0.15 per hour, or salaried equivalent, shall be paid to any full time employee with an accredited Masters Degree.

During 2009, the Police Chief, Edward Perdian maintained an accredited Associates Degree and was entitled to \$0.05 per hour compensation. However, the Fiscal Officer erroneously paid Mr. Perdian at the rate of \$0.10 per hour thereby overpaying him by \$4.00 per pay for 26 pays or by a total of \$104.00.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Edward Perdian, Village employee, in the amount of one hundred and four dollars (\$104.00), and in favor of the Village of Windham’s General Fund, in the amount of one hundred four dollars (\$104.00).

Official’s Response: Mr. Edward Perdian paid \$104.00 to the Village of Windham on July 16, 2010 while the audit was in progress.



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 7, 2010**