

***VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

Mayor and Village Council  
Village of Winchester  
Winchester, Ohio

We have reviewed the *Report of Independent Accountants* of the Village of Winchester, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Winchester is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 10, 2006

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**VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2004 & 2003**

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Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

Phone - (216) 575-1630  
Fax - (216) 436-2411

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### **REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Winchester  
Adams County  
24 W. Washington Street  
Winchester, Ohio 45697

We have audited the accompanying financial statements of the Village of Winchester, Adams County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. 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. We believe that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, 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, 2004, or its changes in financial position 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 Winchester, Adams County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 January 31, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

January 31, 2006

VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2004

	<u>Governmental Fund Types</u>		Total Memorandum Only
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property and Local Taxes	\$ 58,002	\$ 38,642	\$ 96,644
Intergovernmental	20,394	43,955	64,349
Fines, Licenses and Permits	38,319	1,870	40,189
Earnings on Investments	4,792	1,864	6,656
Miscellaneous	5,137	20	5,157
<b>Total Receipts</b>	<u>126,644</u>	<u>86,351</u>	<u>212,995</u>
<b>Disbursements:</b>			
<b>Current:</b>			
Security of Persons & Property	85,274	35,574	120,848
Public Health Services	2,610	-	2,610
Transportation	-	27,889	27,889
General Government	76,784	1,560	78,344
Capital Outlay	28,668	10,500	39,168
<b>Debt Service:</b>			
Principal	7,025	-	7,025
Interest	711	-	711
<b>Total Disbursements</b>	<u>201,072</u>	<u>75,523</u>	<u>276,595</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(74,428)</b>	<b>10,828</b>	<b>(63,600)</b>
<b>Other Financing Sources/(Uses):</b>			
Loan Proceeds	28,668	-	28,668
<b>Total Other Financing Sources/(Uses)</b>	<u>28,668</u>	<u>-</u>	<u>28,668</u>
<b>Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses</b>	<b>(45,760)</b>	<b>10,828</b>	<b>(34,932)</b>
<b>Fund Cash Balance, January 1, 2004</b>	<u>133,546</u>	<u>76,448</u>	<u>209,994</u>
<b>Fund Cash Balance, December 31, 2004</b>	<u>\$ 87,786</u>	<u>\$ 87,276</u>	<u>\$ 175,062</u>
<b>Encumbrances, December 31, 2004</b>	<u>\$ 809</u>	<u>\$ 6</u>	<u>\$ 815</u>

See Accompanying Notes to the Financial Statements.



VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES -  
All Proprietary Funds and Similar Fiduciary Funds  
For the Year Ended December 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency Fund</u>	<u>Total (Memorandum Only)</u>
<b>Receipts:</b>			
Charges for Services	\$ 309,031	\$ -	\$ 309,031
Fines, Licenses and Permits	-	43,336	43,336
Miscellaneous	3,454	-	3,454
<b>Total Receipts</b>	<b>312,485</b>	<b>43,336</b>	<b>355,821</b>
<b>Disbursements:</b>			
Personal Services	45,156	-	45,156
Employee Fringe Benefits	34,690	-	34,690
Contractual Services	350,359	-	350,359
Materials and Supplies	26,437	-	26,437
Capital Outlay	119,200	-	119,200
Debt Service:			
Principal	28,875	-	28,875
Interest	5,050	-	5,050
<b>Total Disbursements</b>	<b>609,767</b>	<b>-</b>	<b>609,767</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(297,282)</b>	<b>43,336</b>	<b>(253,946)</b>
<b>Nonoperating Receipts (Disbursements):</b>			
OPWC Loan	204,353	-	204,353
Distribution of Fines	-	(43,290)	(43,290)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>204,353</b>	<b>(43,290)</b>	<b>161,063</b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>(92,929)</b>	<b>46</b>	<b>(92,883)</b>
<b>Fund Balance, January 1, 2004</b>	<b>387,053</b>	<b>16</b>	<b>387,069</b>
<b>Fund Balance, December 31, 2004</b>	<b>\$ 294,124</b>	<b>\$ 62</b>	<b>\$ 294,186</b>
<b>Encumbrances, December 31, 2004</b>	<b>\$ 9,420</b>	<b>\$ -</b>	<b>\$ 9,420</b>

See Accompanying Notes to the Financial Statements.

VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2003

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
<b>Receipts:</b>				
Property and Local Taxes	\$ 54,126	\$ 36,438	\$ -	\$ 90,564
Intergovernmental	23,606	43,319	37,776	104,701
Fines, Licenses and Permits	35,734	1,675	-	37,409
Earnings on Investments	7,972	866	-	8,838
Miscellaneous	1,932	242	-	2,174
<b>Total Receipts</b>	<b>123,370</b>	<b>82,540</b>	<b>37,776</b>	<b>243,686</b>
<b>Disbursements:</b>				
<b>Current:</b>				
Security of Persons & Property	74,150	37,356	-	111,506
Public Health Services	2,467	-	-	2,467
Transportation	-	21,709	37,776	59,485
General Government	68,827	2,268	-	71,095
Capital Outlay	-	17,985	-	17,985
<b>Total Disbursements</b>	<b>145,444</b>	<b>79,318</b>	<b>37,776</b>	<b>262,538</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(22,074)</b>	<b>3,222</b>	<b>-</b>	<b>(18,852)</b>
<b>Fund Cash Balance, January 1, 2003</b>	<b>155,620</b>	<b>73,226</b>	<b>-</b>	<b>228,846</b>
<b>Fund Cash Balance, December 31, 2003</b>	<b>\$ 133,546</b>	<b>\$ 76,448</b>	<b>\$ -</b>	<b>\$ 209,994</b>
<b>Encumbrances, December 31, 2003</b>	<b>\$ 2,150</b>	<b>\$ 15,095</b>	<b>\$ -</b>	<b>\$ 17,245</b>

See Accompanying Notes to the Financial Statements.

VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES -  
All Proprietary Funds and Similar Fiduciary Funds  
For the Year Ended December 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
<b>Receipts:</b>			
Charges for Services	\$ 310,552	\$ -	\$ 310,552
Fines, Licenses and Permits	-	40,291	40,291
Miscellaneous	<u>3,557</u>	<u>-</u>	<u>3,557</u>
<b>Total Receipts</b>	<b>314,109</b>	<b>40,291</b>	<b>354,400</b>
<b>Disbursements:</b>			
Personal Services	61,859	-	61,859
Employee Fringe Benefits	28,023	-	28,023
Contractual Services	504,323	-	504,323
Materials and Supplies	36,200	-	36,200
Capital Outlay	58,300	-	58,300
Debt Service:			
Principal	15,500	-	15,500
Interest	<u>5,700</u>	<u>-</u>	<u>5,700</u>
<b>Total Disbursements</b>	<b><u>709,905</u></b>	<b><u>-</u></b>	<b><u>709,905</u></b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>(395,796)</b>	<b>40,291</b>	<b>(355,505)</b>
<b>Nonoperating Receipts (Disbursements):</b>			
OPWC Loan	130,647	-	130,647
OPWC Grant	221,250	-	221,250
Distribution of Fines	<u>-</u>	<u>(40,430)</u>	<u>(40,430)</u>
<b>Total Nonoperating Receipts (Disbursements)</b>	<b><u>351,897</u></b>	<b><u>(40,430)</u></b>	<b><u>311,467</u></b>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<b>(43,899)</b>	<b>(139)</b>	<b>(44,038)</b>
<b>Fund Balance, January 1, 2003</b>	<b><u>430,952</u></b>	<b><u>155</u></b>	<b><u>431,107</u></b>
<b>Fund Balance, December 31, 2003</b>	<b><u>\$ 387,053</u></b>	<b><u>\$ 16</u></b>	<b><u>\$ 387,069</u></b>
<b>Encumbrances, December 31, 2003</b>	<b><u>\$ 562</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 562</u></b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF WINCHESTER**  
**ADAMS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Winchester, Adams County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member council. The Village provides various services including police protection, street maintenance and repair, water and sewer utilities, and general administrative services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

**VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue funds:

- Street Construction, Maintenance and Repair Fund
- Police Levy Fund

Capital Projects: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Village has the following significant Capital Projects Fund:

- Tri-County Road Fund

Proprietary Fund Types:

Enterprise Funds:

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

**VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

The Village has the following significant Enterprise Funds:

- Water Operating Fund
- Sewer Operating Fund
- Waste Water Improvement Fund

Fiduciary Fund Type: This fund is used to account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund. The Village had the following Fiduciary Fund:

Agency Fund:

- Mayor's Court

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

**VILLAGE OF WINCHESTER**  
**ADAMS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

Budget receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

1. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

2. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$304,248	\$432,063
Certificates of Deposit	165,000	165,000
Total	<u>\$469,248</u>	<u>\$597,063</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.



**VILLAGE OF WINCHESTER**  
**ADAMS COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2004 and 2003**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

<u>Fund:</u>	<u>2004 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	
General Fund	\$ 131,810	\$ 155,312	\$ 23,502
Special Revenue Funds	43,325	86,351	43,026
Enterprise Funds	576,404	516,838	(59,566)

<u>Fund:</u>	<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	
General Fund	\$ 263,097	\$ 201,881	\$ 61,216
Special Revenue Funds	109,597	75,529	34,068
Enterprise Funds	962,894	619,187	343,707

<u>Fund:</u>	<u>2003 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	
General Fund	\$ 134,533	\$ 123,370	\$ (11,163)
Special Revenue Funds	75,822	82,540	6,718
Capital Projects Fund	43,250	37,776	(5,474)
Enterprise Funds	878,375	666,006	(212,369)

<u>Fund:</u>	<u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	
General Fund	\$ 290,153	\$ 147,594	\$ 142,559
Special Revenue Funds	140,554	94,413	46,141
Capital Projects Fund	43,250	37,776	5,474
Enterprise Funds	1,309,326	710,467	598,859

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, cost sharing, multiple employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

5. RETIREMENT SYSTEMS – (Continued)

Contribution rates are prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5%. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2004.

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related torts, theft, destruction of assets, errors and omissions, injuries to employees and natural disasters. The Village belongs to the Public Entities Pool of Ohio (PEP), an Ohio local government risk-sharing pool. The pool consists of over 200 local governments who pool risk for property, liability and public official liability. The Village pays an annual premium to PEP for this coverage. PEP retains general liability insurance, property insurance, automobile liability, police professional liability and public official's liability risks up to \$1 million per occurrence with no aggregate. Claims exceeding \$1 million are reinsured with no aggregate limitations per year.

Settled Claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

7. DEBT

Debt outstanding at December 31, 2004 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Sewer Revenue Bonds	\$ 88,000	5.00%
OPWC Loans	326,625	0.00%
OWDA Loans	65,000	0.00%
Ford Motor Credit	21,643	5.35%
Total	<u>\$501,268</u>	

**VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

7. DEBT - (Continued)

Principal and interest requirements for debt outstanding at December 31, 2004 is as follows:

<u>Year</u> <u>Ended</u>	Sewer Revenue	OPWC <u>Loans</u>	OWDA <u>Loans</u>	Ford Motor <u>Credit</u>
2005	\$ 18,400	\$16,750	\$ 7,500	\$ 7,736
2006	17,700	16,750	7,500	7,736
2007	17,000	16,750	7,500	7,738
2008	17,300	16,750	7,500	-
2009	16,550	16,750	7,500	-
2010-2014	16,800	83,750	27,500	-
Subsequent	-	159,125	-	-
<b>Total</b>	<b>\$ 103,750</b>	<b>\$326,625</b>	<b>\$ 65,000</b>	<b>\$ 23,210</b>

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

The Village has filed a claim for breach of contract and professional negligence against an engineering firm involved in the construction of the Village's wastewater treatment plant. The claim was still pending as of the date of this report in the Adams County Court of Common Pleas in West Union, Ohio.

Management believes there are no other pending claims or lawsuits.

***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland, OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

The Village Council  
Village of Winchester  
24 W. Washington Street  
Winchester, Ohio 45697

We have audited the financial statements of the Village of Winchester, Adams County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 31, 2006, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management of the Village in a separate letter dated January 31, 2006.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**This report is intended solely for the information and use of the management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.**

***Charles E. Harris and Associates, Inc.***  
**January 31, 2006**

**VILLAGE OF WINCHESTER  
ADAMS COUNTY, OHIO  
For the Years Ending December 31, 2004 and 2003**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2002-30401-001	ORC 5705.40 – Appropriations not properly amended	Yes	Management follows proper procedures



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF WINCHESTER**

**ADAMS 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  
MAY 4, 2006**