



VILLAGE OF WINCHESTER, ADAMS COUNTY

Regular Audit

For the Years Ended December 31, 2006 and 2005

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA

Auditor of State

Members of Council
Village of Winchester
24 West Washington Street
Winchester, Ohio 45697

We have reviewed the *Independent Auditor's Report* of the Village of Winchester, Adams County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 10, 2007

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VILLAGE OF WINCHESTER, ADAMS COUNTY

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Independent Auditor's Report

Members of Council
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 (Village of Winchester) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village of Winchester'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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 2, the Village of Winchester 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 of Winchester to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village of Winchester 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 of Winchester has elected not to reformat its statements. Since the Village of Winchester 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 years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Winchester as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Members of Council
Village of Winchester, Adams County
Independent Auditor's Report

Also, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the combined fund cash balances of the Village of Winchester, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village of Winchester to include Management's Discussion and Analysis for the year ended December 31, 2006 and 2005. The Village of Winchester 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 a report dated August 24, 2007 on our consideration of the Village of Winchester's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we do 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* and should be read in conjunction with this report when considering the results of our audit.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 24, 2007

VILLAGE OF WINCHESTER, ADAMS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2006

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Local Taxes	\$59,438	\$38,157	97,595
Intergovernmental	33,317	53,977	87,294
Fines, Licenses, and Permits	15,075	840	15,915
Earnings on Investments	7,084	2,717	9,801
Other Revenue	7,642	2,525	10,167
Total Cash Receipts	<u>122,556</u>	<u>98,216</u>	<u>220,772</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	586	45,607	46,193
Security of Persons and Property	25,649	27,507	53,156
Public Health Services	2,512	0	2,512
Transportation	73,556	2,588	76,144
Basic Utility Services	0	27,825	27,825
<i>Debt Service:</i>			
Redemption of Principal	6,971	0	6,971
Interest and Fiscal Charges	765	0	765
Total Cash Disbursements	<u>110,039</u>	<u>103,527</u>	<u>213,566</u>
Cash Receipts Over/(Under) Cash Disbursements	12,517	(5,311)	7,206
<u>Other Financing Sources (Uses):</u>			
Operating Transfers - In	0	200	200
Operating Transfers - Out	(200)	0	(200)
Total Other Financing Sources (Uses)	<u>(200)</u>	<u>200</u>	<u>0</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	12,317	(5,111)	7,206
Fund Cash Balances, January 1	<u>49,083</u>	<u>110,156</u>	<u>159,239</u>
Fund Cash Balances, December 31	<u><u>\$61,400</u></u>	<u><u>\$105,045</u></u>	<u><u>\$166,445</u></u>

See accompanying notes to the financial statements.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2006

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<u>Operating Cash Receipts:</u>			
Charges for Services	\$313,224	\$0	\$313,224
Miscellaneous	3,493	0	3,493
Total Operating Cash Receipts	<u>316,717</u>	<u>0</u>	<u>316,717</u>
<u>Operating Cash Disbursements:</u>			
Personal Services	65,769	0	65,769
Employee Fringe Benefits	29,509	0	29,509
Contractual Services	127,989	0	127,989
Supplies and Materials	26,699	0	26,699
Total Operating Cash Disbursements	<u>249,966</u>	<u>0</u>	<u>249,966</u>
Operating Income/(Loss)	<u>66,751</u>	<u>0</u>	<u>66,751</u>
<u>Non-Operating Cash Receipts (Disbursements):</u>			
<i>Debt Service:</i>			
Redemption of Principal	(38,250)	0	(38,250)
Interest and Fiscal Charges	(3,700)	0	(3,700)
Capital Outlay	(47,525)	0	(47,525)
Other Non-Operating Cash Receipts	0	17,388	17,388
Other Non-Operating Cash Disbursements	0	(17,647)	(17,647)
Total Non-Operating Cash Receipts (Disbursements)	<u>(89,475)</u>	<u>(259)</u>	<u>(89,734)</u>
Income (Loss) Before Interfund Transfers	<u>(22,724)</u>	<u>(259)</u>	<u>(22,983)</u>
Transfers - In	51,950	0	51,950
Transfers - Out	(51,950)	0	(51,950)
Net Receipts Over/(Under) Disbursements	(22,724)	(259)	(22,983)
Fund Cash Balances, January 1	<u>338,312</u>	<u>259</u>	<u>338,571</u>
Fund Cash Balances, December 31	<u>\$315,588</u>	<u>\$0</u>	<u>\$315,588</u>

See accompanying notes to the financial statements.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2005

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Local Taxes	\$59,116	\$37,572	96,688
Intergovernmental	20,632	47,270	67,902
Fines, Licenses, and Permits	35,408	1,845	37,253
Earnings on Investments	6,065	2,183	8,248
Other Revenue	6,377	0	6,377
Total Cash Receipts	<u>127,598</u>	<u>88,870</u>	<u>216,468</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	0	12,941	12,941
Security of Persons and Property	70,061	30,195	100,256
Public Health Services	2,544	0	2,544
Transportation	85,960	3,025	88,985
Basic Utility Services	0	19,830	19,830
<i>Debt Service:</i>			
Redemption of Principal	7,329	0	7,329
Interest and Fiscal Charges	407	0	407
Total Cash Disbursements	<u>166,301</u>	<u>65,991</u>	<u>232,292</u>
Cash Receipts Over/(Under) Cash Disbursements	(38,703)	22,879	(15,824)
Fund Cash Balances, January 1	<u>87,786</u>	<u>87,277</u>	<u>175,063</u>
<i>Fund Cash Balances, December 31</i>	<u>\$49,083</u>	<u>\$110,156</u>	<u>159,239</u>
<i>Encumbrances, December 31</i>	<u>\$700</u>	<u>\$0</u>	<u>\$700</u>

See accompanying notes to the financial statements.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2005

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	
	<u>Enterprise</u>	<u>Agency</u>	<u>Totals</u>
<u>Operating Cash Receipts:</u>			
Charges for Services	\$314,618	\$0	\$314,618
Miscellaneous	1,529	0	1,529
Total Operating Cash Receipts	<u>316,147</u>	<u>0</u>	<u>316,147</u>
<u>Operating Cash Disbursements:</u>			
Personal Services	52,559	0	52,559
Employee Fringe Benefits	16,578	0	16,578
Contractual Services	122,932	0	122,932
Supplies and Materials	24,520	0	24,520
Total Operating Cash Disbursements	<u>216,589</u>	<u>0</u>	<u>216,589</u>
Operating Income/(Loss)	<u>99,558</u>	<u>0</u>	<u>99,558</u>
<u>Non-Operating Cash Receipts (Disbursements):</u>			
<i>Debt Service:</i>			
Redemption of Principal	(38,250)	0	(38,250)
Interest and Fiscal Charges	(4,400)	0	(4,400)
Capital Outlay	(12,720)	0	(12,720)
Other Non-Operating Cash Receipts	0	40,658	40,658
Other Non-Operating Cash Disbursements	0	(40,461)	(40,461)
Total Non-Operating Cash Receipts (Disbursements)	<u>(55,370)</u>	<u>197</u>	<u>(55,173)</u>
Income (Loss) Before Interfund Transfers	<u>44,188</u>	<u>197</u>	<u>44,385</u>
Transfers - In	42,650	0	42,650
Transfers - Out	(42,650)	0	(42,650)
Net Receipts Over/(Under) Disbursements	44,188	197	44,385
Fund Cash Balances, January 1	<u>294,124</u>	<u>62</u>	<u>294,186</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$338,312</u></u>	<u><u>\$259</u></u>	<u><u>\$338,571</u></u>
<i>Encumbrances, December 31</i>	<u><u>\$7,437</u></u>	<u><u>\$0</u></u>	<u><u>\$7,437</u></u>

See accompanying notes to the financial statements.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

The Village of Winchester, Adams County, Ohio (Village of Winchester), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village of Winchester is directed by a publicly elected three-member Board of Trustees. The Village of Winchester also has an elected Village Fiscal Officer.

The Village of Winchester provides general government services, maintenance of Village roads and bridges, maintenance of cemeteries, fire protection and emergency medical services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Village of Winchester's financial statements were prepared on the cash basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made 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.

Fund Accounting

The Village of Winchester uses fund accounting to segregate cash and investments that are restricted as to use. The Village of Winchester classifies its funds into the following types:

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

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

Street Maintenance and Repair Fund – This fund receives real estate tax, tangible personal property tax and homestead and rollback tax money for constructing, maintaining and repairing Village roads and bridges.

Police Levy Fund – This fund receives real estate tax, tangible personal property tax and homestead and rollback tax money to provide police protection services to the Village of Winchester.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds: These funds are used to account for any activities for which a fee is charged to external users for goods or services. The Village of Winchester has the following significant Proprietary Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Fiduciary Funds: These funds are used to account for custodial funds held by the Village of Winchester acting as an agent for another government, organization, individual, or fund. The Village of Winchester has the following significant fiduciary fund:

Mayor's Court Fund – This agency fund is used to account for the activities of the Mayor's Court.

Budgetary Process

The Ohio Revised Code requires that each Village fund, except 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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The Adams County Budget Commission must also approve the annual appropriation measure. Appropriations may not exceed estimated resources.

Estimated Resources: Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Adams County Budget Commission must also certify estimated resources.

Encumbrances: The Ohio Revised Code requires Village of Winchester to reserve (encumber) appropriations when commitments are made. The sum of the disbursements 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.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

Property, Plant and Equipment

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

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 of Winchester's basis of accounting.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 3 – Cash and Investments

The Village of Winchester maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village of Winchester had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2006	December 31, 2005
Demand Deposits	\$317,033	\$332,810
Certificates of Deposit	165,000	165,000
Total	\$482,033	\$497,810

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

Note 4 – Budgetary Basis of Accounting

The Village of Winchester's budgetary activity for the years ending December 31, 2006 and December 31, 2005 was as follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Receipts		
	Budgeted	Actual	Variance
General	\$123,361	\$122,556	\$(805)
Special Revenue	83,480	98,416	14,936
Enterprise	357,950	368,667	10,717
<i>Total</i>	\$564,791	\$589,639	\$24,848

2006 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$172,383	\$110,239	\$62,144
Special Revenue	193,436	103,527	89,909
Enterprise	696,262	391,391	304,871
<i>Total</i>	\$1,062,081	\$605,157	\$456,924

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 4 – Budgetary Basis of Accounting -(Continued)

2005 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$130,440	\$127,598	\$(2,842)
Special Revenue	71,030	88,870	17,840
Enterprise	343,650	358,797	15,147
<i>Total</i>	\$545,120	\$575,265	\$30,145

2005 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$218,226	\$167,001	\$51,225
Special Revenue	158,313	65,991	92,322
Enterprise	637,773	322,046	315,727
<i>Total</i>	\$1,014,312	\$555,038	\$459,274

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 5- Long-Term Obligations

A schedule of changes in long-term obligations of the Village during 2006 follows:

	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06
Governmental Fund Types:				
Ford Motor Credit				
Police Cruiser Loan - 5.35%	\$14,314	\$0	\$6,971	\$7,343
Total Governmental Fund Types	<u>\$14,314</u>	<u>\$0</u>	<u>\$6,971</u>	<u>\$7,343</u>
Proprietary Fund Types:				
2003 OWDA Wastewater System				
Planning Loan - 0.00%	\$17,500	\$0	\$2,500	\$15,000
2004 OWDA Wastewater System				
Design Loan - 0.00%	40,000	0	5,000	35,000
Total OWDA Loans	<u>57,500</u>	<u>0</u>	<u>7,500</u>	<u>50,000</u>
2004 OPWC Wastewater Treatment Plant				
Improvement Loan - 0.00%	309,875	0	16,750	293,125
1972 Sewer Revenue Bonds - 5.00%	74,000	0	14,000	60,000
Total Proprietary Fund Types	<u>\$441,375</u>	<u>\$0</u>	<u>\$38,250</u>	<u>\$403,125</u>

Principal and interest requirements to retire the Police Cruiser Loan liability at December 31, 2006, are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$7,343	\$393	\$7,736
	<u>\$7,343</u>	<u>\$393</u>	<u>\$7,736</u>

The loan, originally issued for \$28,667, represents amounts borrowed from Ford Motor Credit for the purchase of a police cruiser. The loan will be paid from the General Fund.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 5- Long - Term Obligations – (Continued)

Principal requirements to retire the Village’s Ohio Water Development Authority (OWDA) Wastewater System Planning Loan outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Principal
2007	\$2,500
2008	2,500
2009	2,500
2010	2,500
2011	2,500
2012	2,500
	<u>2,500</u>
	<u>\$15,000</u>

The loan, originally issued for \$25,000, represents amounts borrowed from the OWDA for Wastewater System Planning. The loan will be paid from the OWDA Sewer Debt Fund.

Principal requirements to retire the Village’s OWDA Wastewater System Design Loan outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Principal
2007	\$5,000
2008	5,000
2009	5,000
2010	5,000
2011	5,000
2012 - 2013	10,000
	<u>10,000</u>
	<u>\$35,000</u>

The loan, originally issued for \$50,000, represents amounts borrowed from the OWDA for Wastewater system Design. The loan will be paid from the OWDA Sewer Debt Fund.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 5- Long - Term Obligations – (Continued)

Principal requirements to retire the Village’s Ohio Public Works Commission (OPWC) Wastewater Treatment Plant Improvement Loan outstanding at December 31, 2006, are as follows:

Year Ended December 31,	Principal
2007	\$16,750
2008	16,750
2009	16,750
2010	16,750
2011	16,750
2012 - 2016	83,750
2017 - 2021	83,750
2022 - 2024	41,875
	<u>\$293,125</u>

The loan, originally issued for \$335,000, represents amounts borrowed from the OPWC for Wastewater Treatment Plant Improvements. The loan will be paid from the OPWC Sewer Debt Fund.

Principal and interest requirements to retire the Sewer Revenue Bonds at December 31, 2006, are as follows:

Year Ended December 31,	Principal	Interest	Total
2007	\$14,000	\$3,000	\$17,000
2008	15,000	2,300	17,300
2009	15,000	1,550	16,550
2010	16,000	800	16,800
	<u>\$60,000</u>	<u>\$7,650</u>	<u>\$67,650</u>

The sewer revenue bonds, originally issued for \$340,700, represents amounts issued for the purpose of improving and extending existing sewer service lines. The bonds will be repaid by user charges through the Sewer Reserve Debt Fund.

Note 6– Property Taxes

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, the first half is due December 31, and the second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by April 30.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 6 – Property Taxes – (Continued)

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

Note 7 – Risk Management

The Village of Winchester is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Village of Winchester belonged 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 of Winchester 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 \$1,000,000 per occurrence with no aggregate. Claims exceeding \$1,000,000 are reinsured with no aggregate limitations per year.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village of Winchester pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 8 – Retirement Systems

A. Ohio Public Employees Retirement System

The Village of Winchester participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village of Winchester's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village of Winchester's pension contributions were 13.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 8 – Retirement Systems – (Continued)

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village of Winchester's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village of Winchester's pension contributions were 13.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village of Winchester's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$13,603, \$13,747, and \$11,358, respectively. The full amount has been contributed for 2006, 2005 and 2004.

B. Ohio Police and Fire Pension Fund

The Village of Winchester contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations, while the Village of Winchester is required to contribute 19.5 percent for police officers. Contributions are authorized by State statute. The Village of Winchester's contributions to the Fund for police officers were \$3,915, \$11,663 and \$7,097 for the years ended December 31, 2006, 2005, 2004, respectively. The full amount has been contributed for 2006, 2005 and 2004.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 9 - Postemployment Benefits – (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2006, the number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions which were used to fund postemployment benefits for 2006 were \$6,654 and for 2005 were \$5,759. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village of Winchester's actual contributions for 2006 that were used to fund postemployment health care benefits were \$6,654 for police officers. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

VILLAGE OF WINCHESTER, ADAMS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 10 – Subsequent Events

The Village of Winchester has filed a claim for breach of contract and professional negligence against parties involved in the construction of Village of Winchester's wastewater treatment plant. As of this date, the Village of Winchester has received a favorable judgement by the Adams County Court of Common Pleas.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

Members of Council
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 (Village of Winchester), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 24, 2007, wherein we noted that the Village of Winchester 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Members of Council
Village of Winchester, Adams County
Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Winchester's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

We noted certain matters that we reported to the Village of Winchester's management in a separate letter dated August 24, 2007.

This report is intended for the information and use of the Members of Council, management, and audit committee, and is not intended to be and should not be used by anyone other than these specified parties.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

August 24, 2007



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 8, 2007