



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

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**Regular Audit**

**For the Years Ended  
December 31, 2010 and 2009**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Village Council  
Village of Winchester  
24 W. 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, 2009 through December 31, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 2, 2011

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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, 2010 and 2009. 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, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position and where applicable, cash flows, 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, 2010 and 2009, 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, 2010 and 2009. 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 June 17, 2011 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.

June 17, 2011

**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, 2010**

|   | <u>Governmental Fund Types</u> |                            |                  |
|---|--------------------------------|----------------------------|------------------|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Totals</u>    |
| <b><u>Cash Receipts:</u></b>  |                                |                            |                  |
| Local Taxes   | \$81,379                       | \$24,122                   | 105,501          |
| Intergovernmental   | 27,653                         | 51,471                     | 79,124           |
| Fines, Licenses, and Permits  | 107,896                        | 0                          | 107,896          |
| Earnings on Investments   | 1,286                          | 809                        | 2,095            |
| Other Revenue   | 45,495                         | 6,527                      | 52,022           |
| <b>Total Cash Receipts</b>  | <b>263,709</b>                 | <b>82,929</b>              | <b>346,638</b>   |
| <b><u>Cash Disbursements:</u></b>   |                                |                            |                  |
| <i>Current:</i>   |                                |                            |                  |
| General Government  | 56,626                         | 9,706                      | 66,332           |
| Security of Persons and Property  | 155,567                        | 19,896                     | 175,463          |
| Public Health Services  | 3,200                          | 0                          | 3,200            |
| Transportation  | 0                              | 66,569                     | 66,569           |
| Capital Outlay  | 39,419                         | 10,099                     | 49,518           |
| <i>Debt Service:</i>  |                                |                            |                  |
| Redemption of Principal   | 5,250                          | 0                          | 5,250            |
| Interest and Fiscal Charges   | 827                            | 0                          | 827              |
| <b>Total Cash Disbursements</b>   | <b>260,889</b>                 | <b>106,270</b>             | <b>367,159</b>   |
| Cash Receipts Over (Under) Cash Disbursements   | 2,820                          | (23,341)                   | (20,521)         |
| <b><u>Other Financing Sources (Uses):</u></b>   |                                |                            |                  |
| Advances In   | 0                              | 7,200                      | 7,200            |
| Advances Out  | (7,200)                        | 0                          | (7,200)          |
| Proceeds from Bond Acquisition  | 29,906                         | 0                          | 29,906           |
| <b>Total Other Financing Sources (Uses)</b>   | <b>22,706</b>                  | <b>7,200</b>               | <b>29,906</b>    |
| Excess of Receipts and Other Financing Sources Over<br>(Under) Disbursements and Other Financing Uses | 25,526                         | (16,141)                   | 9,385            |
| Fund Cash Balances, January 1   | 18,450                         | 74,007                     | 92,457           |
| <b>Fund Cash Balances, December 31</b>  | <b>\$43,976</b>                | <b>\$57,866</b>            | <b>\$101,842</b> |

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, 2010**

|  | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type</u> |                                |
|--|----------------------------------|--------------------------------|--------------------------------|
|  | <u>Enterprise</u>                | <u>Agency</u>                  | <u>Totals</u>                  |
| <b><u>Operating Cash Receipts:</u></b>                     |                                  |                                |                                |
| Charges for Services                                       | \$352,986                        | \$0                            | \$352,986                      |
| Total Operating Cash Receipts                              | 352,986                          | 0                              | 352,986                        |
| <b><u>Operating Cash Disbursements:</u></b>                |                                  |                                |                                |
| Personal Services  | 71,474                           | 0                              | 71,474                         |
| Employee Fringe Benefits                                   | 25,405                           | 0                              | 25,405                         |
| Contractual Services                                       | 132,427                          | 0                              | 132,427                        |
| Supplies and Materials                                     | 33,551                           | 0                              | 33,551                         |
| Total Operating Cash Disbursements                         | 262,857                          | 0                              | 262,857                        |
| Operating Income (Loss)                                    | 90,129                           | 0                              | 90,129                         |
| <b><u>Non-Operating Cash Receipts (Disbursements):</u></b> |                                  |                                |                                |
| <i>Debt Service:</i>                                       |                                  |                                |                                |
| Redemption of Principal                                    | (40,250)                         | 0                              | (40,250)                       |
| Interest and Fiscal Charges                                | (800)                            | 0                              | (800)                          |
| Capital Outlay   | (59,540)                         | 0                              | (59,540)                       |
| Other Non-Operating Cash Receipts                          | 1,027                            | 133,676                        | 134,703                        |
| Other Non-Operating Cash Disbursements                     | 0                                | (137,527)                      | (137,527)                      |
| Total Non-Operating Cash Receipts (Disbursements)          | (99,563)                         | (3,851)                        | (103,414)                      |
| Net Receipts Over/Under Disbursements                      | (9,434)                          | (3,851)                        | (13,285)                       |
| Fund Cash Balances, January 1                              | 296,888                          | 10,627                         | 307,515                        |
| <b><i>Fund Cash Balances, December 31</i></b>              | <b><u><u>\$287,454</u></u></b>   | <b><u><u>\$6,776</u></u></b>   | <b><u><u>\$294,230</u></u></b> |

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, 2009**

|   | <u>Governmental Fund Types</u> |                               |                               |
|---|--------------------------------|-------------------------------|-------------------------------|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u>    | <u>Totals</u>                 |
| <b><u>Cash Receipts:</u></b>                  |                                |                               |                               |
| Local Taxes                                   | \$68,848                       | \$21,941                      | 90,789                        |
| Intergovernmental                             | 24,268                         | 46,346                        | 70,614                        |
| Fines, Licenses, and Permits                  | 61,421                         | 3,541                         | 64,962                        |
| Earnings on Investments                       | 2,402                          | 766                           | 3,168                         |
| Other Revenue                                 | 4,236                          | 853                           | 5,089                         |
| Total Cash Receipts                           | <u>161,175</u>                 | <u>73,447</u>                 | <u>234,622</u>                |
| <b><u>Cash Disbursements:</u></b>             |                                |                               |                               |
| <i>Current:</i>                               |                                |                               |                               |
| General Government                            | 92,556                         | 2,029                         | 94,585                        |
| Security of Persons and Property              | 83,732                         | 22,075                        | 105,807                       |
| Transportation                                | 0                              | 61,340                        | 61,340                        |
| Basic Utility Services                        | 6,931                          | 0                             | 6,931                         |
| Total Cash Disbursements                      | <u>183,219</u>                 | <u>85,444</u>                 | <u>268,663</u>                |
| Cash Receipts Over/(Under) Cash Disbursements | (22,044)                       | (11,997)                      | (34,041)                      |
| Fund Cash Balances, January 1                 | <u>40,494</u>                  | <u>86,004</u>                 | <u>126,498</u>                |
| <b><i>Fund Cash Balances, December 31</i></b> | <b><u><u>\$18,450</u></u></b>  | <b><u><u>\$74,007</u></u></b> | <b><u><u>\$92,457</u></u></b> |

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, 2009**

|  | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary<br/>Fund Type</u> |                                |
|--|----------------------------------|--------------------------------|--------------------------------|
|  | <u>Enterprise</u>                | <u>Agency</u>                  | <u>Totals</u>                  |
| <b><u>Operating Cash Receipts:</u></b>                     |                                  |                                |                                |
| Charges for Services                                       | \$324,050                        | \$0                            | \$324,050                      |
| Miscellaneous  | 3,640                            | 0                              | 3,640                          |
| Total Operating Cash Receipts                              | <u>327,690</u>                   | <u>0</u>                       | <u>327,690</u>                 |
| <b><u>Operating Cash Disbursements:</u></b>                |                                  |                                |                                |
| Personal Services  | 59,957                           | 0                              | 59,957                         |
| Employee Fringe Benefits                                   | 58,501                           | 0                              | 58,501                         |
| Contractual Services                                       | 126,631                          | 0                              | 126,631                        |
| Supplies and Materials                                     | 5,704                            | 0                              | 5,704                          |
| Other  | 110                              | 0                              | 110                            |
| Total Operating Cash Disbursements                         | <u>250,903</u>                   | <u>0</u>                       | <u>250,903</u>                 |
| Operating Income/(Loss)                                    | 76,787                           | 0                              | 76,787                         |
| <b><u>Non-Operating Cash Receipts (Disbursements):</u></b> |                                  |                                |                                |
| <i>Debt Service:</i>                                       |                                  |                                |                                |
| Redemption of Principal                                    | (39,250)                         | 0                              | (39,250)                       |
| Interest and Fiscal Charges                                | (1,550)                          | 0                              | (1,550)                        |
| Capital Outlay   | (21,464)                         | 0                              | (21,464)                       |
| Other Non-Operating Cash Receipts                          | 0                                | 81,593                         | 81,593                         |
| Other Non-Operating Cash Disbursements                     | 0                                | (75,016)                       | (75,016)                       |
| Total Non-Operating Cash Receipts (Disbursements)          | <u>(62,264)</u>                  | <u>6,577</u>                   | <u>(55,687)</u>                |
| Income (Loss) Before Interfund Transfers                   | 14,523                           | 6,577                          | 21,100                         |
| Transfers - In   | 24,925                           | 0                              | 24,925                         |
| Transfers - Out  | (24,925)                         | 0                              | (24,925)                       |
| Net Receipts Over/(Under) Disbursements                    | 14,523                           | 6,577                          | 21,100                         |
| Fund Cash Balances, January 1                              | <u>282,365</u>                   | <u>4,050</u>                   | <u>286,415</u>                 |
| <b>Fund Cash Balances, December 31</b>                     | <b><u><u>\$296,888</u></u></b>   | <b><u><u>\$10,627</u></u></b>  | <b><u><u>\$307,515</u></u></b> |

See accompanying notes to the financial statements.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 1 – Reporting Entity**

The Village of Winchester, Adams County, Ohio (the Village), 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 is directed by a publicly elected six-member Council and a publicly elected Mayor. The Village also has an appointed Village Fiscal Officer.

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

The Village'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's follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements 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 uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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 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.

**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 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.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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

Fiduciary Funds: These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual, or fund. The Village 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 the Village 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 2010 and 2009 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's basis of accounting.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

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**Note 3 – Cash and Investments**

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

|                         | December 31,<br>2010 | December 31,<br>2009 |
|-------------------------|----------------------|----------------------|
| Demand Deposits         | \$231,072            | \$234,972            |
| Certificates of Deposit | 165,000              | 165,000              |
| <b>Total</b>            | <b>\$396,072</b>     | <b>\$399,972</b>     |

*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's budgetary activity for the years ending December 31, 2010 and December 31, 2009 was as follows:

2010 Budgeted vs. Actual Receipts

|                 | Receipts         |                  |                 |
|-----------------|------------------|------------------|-----------------|
| Fund Type       | Budgeted         | Actual           | Variance        |
| General         | \$163,703        | \$293,615        | \$129,912       |
| Special Revenue | 153,440          | 82,929           | (70,511)        |
| Enterprise      | 382,800          | 354,013          | (28,787)        |
| <i>Total</i>    | <i>\$699,943</i> | <i>\$730,557</i> | <i>\$30,614</i> |

2010 Budgeted vs. Actual Budgetary Disbursements

|                 | Appropriation<br>Authority | Budgetary<br>Disbursements | Variance         |
|-----------------|----------------------------|----------------------------|------------------|
| General         | \$195,970                  | \$260,889                  | (\$64,919)       |
| Special Revenue | 228,661                    | 106,270                    | 122,391          |
| Enterprise      | 559,800                    | 363,447                    | 196,353          |
| <i>Total</i>    | <i>\$984,431</i>           | <i>\$730,606</i>           | <i>\$253,825</i> |

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

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**Note 4 – Budgetary Basis of Accounting** - (Continued)

2009 Budgeted vs. Actual Receipts

| Fund Type       | Receipts         |                  | Variance          |
|-----------------|------------------|------------------|-------------------|
|                 | Budgeted         | Actual           |                   |
| General         | \$158,182        | \$163,111        | \$4,929           |
| Special Revenue | 135,100          | 71,511           | (63,589)          |
| Enterprise      | 381,300          | 352,615          | (28,685)          |
| <i>Total</i>    | <u>\$674,582</u> | <u>\$587,237</u> | <u>(\$87,345)</u> |

2009 Budgeted vs. Actual Budgetary Disbursements

| Fund Type       | Appropriation Authority | Budgetary Disbursements | Variance         |
|-----------------|-------------------------|-------------------------|------------------|
| General         | \$198,938               | \$182,219               | \$16,719         |
| Special Revenue | 170,515                 | 85,444                  | 85,071           |
| Enterprise      | 559,417                 | 338,092                 | 221,325          |
| <i>Total</i>    | <u>\$928,870</u>        | <u>\$605,755</u>        | <u>\$323,115</u> |

A reduced amended certificate of estimated resources should have been obtained as required by ORC Section 5705.36(A)(4) for the Police Levy, DUI Education & Enforcement, Police Grant, Sewer Debt, OPWC Sewer Debt and OWDA Sewer Debt Funds in 2010, and for the Street Maintenance, Police Levy, Permissive MVT, DUI Education & Enforcement, Sewer Debt, POWC Sewer Debt and OWDA Sewer Debt Funds in 2009.

Disbursements plus encumbrances exceeded approved appropriations in the Police Grant and Sewer Capital Improvement Funds in 2009 and in the General Fund for 2010, which are violations of ORC Section 5705.41 (B) and (D).

Appropriations exceeded estimated resources in violation of ORC Section 5705.39, in the General Street Maintenance, DUI Education & Enforcement, and Water Deposit Funds during 2010.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

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**Note 5- Long-Term Obligations**

A schedule of changes in long-term obligations of the Village during 2010 follows:

|  | Principal<br>Outstanding<br>12/31/09 | Additions       | Deductions      | Principal<br>Outstanding<br>12/31/10 | Due in<br>1 Year |
|--|--------------------------------------|-----------------|-----------------|--------------------------------------|------------------|
| <b>Governmental Fund Types:</b>                                  |                                      |                 |                 |                                      |                  |
| First State Bank   |                                      |                 |                 |                                      |                  |
| Police Cruiser Bond - 4.00%                                      | \$0                                  | \$29,906        | \$5,250         | \$24,656                             | \$7,249          |
| Total Governmental Fund Types                                    | <u>\$0</u>                           | <u>\$29,906</u> | <u>\$5,250</u>  | <u>\$24,656</u>                      | <u>\$7,249</u>   |
| <b>Proprietary Fund Types:</b>                                   |                                      |                 |                 |                                      |                  |
| 2003 OWDA Wastewater System<br>Planning Loan - 0.00%             | \$7,500                              | \$0             | \$2,500         | \$5,000                              | \$2,500          |
| 2004 OWDA Wastewater System<br>Design Loan - 0.00%               | 20,000                               | 0               | 5,000           | 15,000                               | 5,000            |
| Total OWDA Loans   | <u>27,500</u>                        | <u>0</u>        | <u>7,500</u>    | <u>20,000</u>                        | <u>7,500</u>     |
| 2004 OPWC Wastewater Treatment Plant<br>Improvement Loan - 0.00% | 242,875                              | 0               | 16,750          | 226,125                              | 16,750           |
| 1972 Sewer Revenue Bonds - 5.00%                                 | 16,000                               | 0               | 16,000          | 0                                    | 0                |
| Total Proprietary Fund Types                                     | <u>\$286,375</u>                     | <u>\$0</u>      | <u>\$40,250</u> | <u>\$246,125</u>                     | <u>\$24,250</u>  |

A schedule of changes in long-term obligations of the Village during 2009 follows:

|  | Principal<br>Outstanding<br>12/31/08 | Additions  | Deductions      | Principal<br>Outstanding<br>12/31/09 | Due in<br>1 Year |
|--|--------------------------------------|------------|-----------------|--------------------------------------|------------------|
| <b>Proprietary Fund Types:</b>                                   |                                      |            |                 |                                      |                  |
| 2003 OWDA Wastewater System<br>Planning Loan - 0.00%             | \$10,000                             | \$0        | \$2,500         | \$7,500                              | \$2,500          |
| 2004 OWDA Wastewater System<br>Design Loan - 0.00%               | 25,000                               | 0          | 5,000           | 20,000                               | 5,000            |
| Total OWDA Loans   | <u>35,000</u>                        | <u>0</u>   | <u>7,500</u>    | <u>27,500</u>                        | <u>7,500</u>     |
| 2004 OPWC Wastewater Treatment Plant<br>Improvement Loan - 0.00% | 259,625                              | 0          | 16,750          | 242,875                              | 16,750           |
| 1972 Sewer Revenue Bonds - 5.00%                                 | 31,000                               | 0          | 15,000          | 16,000                               | 16,000           |
| Total Proprietary Fund Types                                     | <u>\$325,625</u>                     | <u>\$0</u> | <u>\$39,250</u> | <u>\$286,375</u>                     | <u>\$40,250</u>  |



**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

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**Note 5- Long - Term Obligations –** (Continued)

Principal requirements to retire the Village’s Police Cruiser Acquisition Bond outstanding at December 31, 2010, are as follows:

| Year Ended<br>December 31, | Principal | Interest |
|----------------------------|-----------|----------|
| 2011                       | \$7,249   | 854      |
| 2012                       | 7,544     | 559      |
| 2013                       | 7,851     | 252      |
| 2014                       | 2,012     | 13       |
|                            | \$24,656  | \$1,678  |

The loan, originally issued for \$29,906 represents amounts borrowed from First State Bank. The loan will be paid from the General Fund.

Principal requirements to retire the Village’s Ohio Water Development Authority (OWDA) Wastewater System Planning Loan outstanding at December 31, 2010, are as follows:

| Year Ended<br>December 31, | Principal |
|----------------------------|-----------|
| 2011                       | 2,500     |
| 2012                       | 2,500     |
|                            | 5,000     |

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, 2010, are as follows:

| Year Ended<br>December 31, | Principal |
|----------------------------|-----------|
| 2011                       | 5,000     |
| 2012                       | 5,000     |
| 2013                       | 5,000     |
|                            | \$15,000  |

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, 2010 and 2009**

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**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, 2010, are as follows:

| Year Ended<br>December 31, | Principal        |
|----------------------------|------------------|
| 2011                       | \$16,750         |
| 2012                       | 16,750           |
| 2013                       | 16,750           |
| 2014                       | 16,750           |
| 2015                       | 16,750           |
| 2016-2020                  | 83,750           |
| 2021-2024                  | <u>58,625</u>    |
|                            | <u>\$226,125</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.

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 were repaid by user charges through the Sewer Reserve Debt Fund.

**Note 6– Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first half is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2010 (other than public utility property) represent collection of 2010 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009, on the true value as of December 31, 2009. Tangible personal property is being phased out. For 2009, tangible personal property tax was assessed at 12.50 percent for property, including inventory. This percentage was 6.25 percent for 2008, and was reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 30.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

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**Note 6 – Property Taxes** – (Continued)

The full tax rate for all Township operations for the year ended December 31, 2010 and 2009, was \$13.00 per \$1000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 and 2009 property tax receipts were based are as follows:

| Real Property:                   | 2010         | 2009         |
|----------------------------------|--------------|--------------|
| Residential/Agricultural         | \$8,186,050  | \$8,289,960  |
| Commercial/Industrial            | 2,396,020    | 2,191,160    |
| Personal Property/Public Utility | 515,750      | 472,370      |
| Total Assessed Value             | \$11,097,820 | \$10,953,490 |

**Note 7 – Risk Management**

The Government is exposed to various risks of property and casualty losses, and injuries to employees. The Government insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool’s primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (“APEEP”), which is also administered by ARPCO. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2010 the Pool retained \$350,000 for casualty claims and \$150,000 for property claims). The Board of Directors and ARPCO periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

**Casualty Insurance**

For occurrences prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 and provides up to \$1,750,000 per claim.

For occurrences on or after January 1, 2006, PEP retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contribution to APEEP. APEEP reinsures claim exceeding \$350,000 and provides up to \$2,650,000 per claim.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

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**Note 7 – Risk Management** – (Continued)

**Property Insurance**

Prior to January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

On or after January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$150,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$150,000 and \$500,000, Travelers will reinsure specific losses exceeding \$150,000 up to their \$600,000,000 per occurrence limit.

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

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (The latest information available):

|                   | <u>2010</u>         | <u>2009</u>         |
|-------------------|---------------------|---------------------|
| Assets            | \$34,952,010        | \$36,374,898        |
| Liabilities       | (14,320,812)        | (15,256,862)        |
| Retained earnings | <u>\$20,631,198</u> | <u>\$21,118,036</u> |

The assets and retained earnings above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 and 447 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$23,700. This payable includes the subsequent years' contribution due if the District terminates participation, as described in the last paragraph below.

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

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 7 – Risk Management** – (Continued)

**Contribution to PEP**

|      |          |
|------|----------|
| 2010 | \$11,850 |
| 2009 | \$11,279 |
| 2008 | \$5,544  |

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

**Note 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) 222-6707 or (800) 222-7377.

For the year ended December 31, 2010, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.1 percent of their annual covered salary; members in public safety contributed 10.5 percent. The Village of Winchester's contribution rate for pension benefits for 2010 was 14.0 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village of Winchester's pension contributions were 17.87 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, 2010 and 2009**

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**Note 8 – Retirement Systems** – (Continued)

For the year ended December 31, 2009, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 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 10.1 percent. The Village of Winchester's contribution rate for pension benefits for 2009 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village of Winchester's pension contributions were 17.63 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, 2010, 2009, and 2008 were \$8,664, \$8,065, and \$7,336, respectively. The full amount has been contributed for 2010, 2009 and 2008.

**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 \$6,720, \$5,903 and \$6,140 for the years ended December 31, 2010, 2009, 2008, respectively. The full amount has been contributed for 2010, 2009 and 2008. Of the previously mentioned contributions, for the years ending December 31, 2010, 2009, 2008, \$36, \$31 and \$32, respectively, were allocated to the healthcare plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

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**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 2010 local government employer contribution rate was 14.0 percent of covered payroll (17.87 percent for public safety and law enforcement). The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010, and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The 2009 local government employer contribution rate was 14.0 percent of covered payroll (17.63 percent for public safety and law enforcement). The portion of employer contributions allocated to health care was 7.00% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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, 2008, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 3 percent annually for the next six years and 4.0 percent annually after seven 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.

The number of active contributing participants in the traditional and combined plans for 2009 and 2008 were 357,584 and 356,388 respectively. The actual employer contributions for 2010 which were used to fund postemployment benefits were \$4,949. The actual value of OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 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.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2010 and 2009*

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**Note 9 - Postemployment Benefits** – (Continued)

**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 6.75 percent of covered payroll was applied to the postemployment health care program during 2010 and 2009. 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 2010 that were used to fund postemployment health care benefits were \$3,558 for police officers. The OP&F's total health care expense for the year ended December 31, 2008, (the latest information available) was \$96,472,398, which was net of member contributions of \$56,948,977. The number of OP&F participants eligible to receive health care benefits as of December 31, 2008, was 14,567 for police and 10,750 for firefighters.



**Independent Accountant's 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 (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 17, 2011, 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'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 have identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 2010-001 described in the accompanying Schedule of Findings to be a material weakness.

Members of Council  
Village of Winchester, Adams County  
Independent Accountant's 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'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings as item 2010-001 through 2010-004.

We also noted certain matters that we reported to management of the Village in a separate letter dated June 17, 2011.

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 response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the Members of Council and management, 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.

June 17, 2011

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2010 and 2009**

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

*Finding Number 2010-001*

**Financial Record Keeping - Non-Compliance/Material Weakness**

Ohio Administrative Code (OAC) Section 117-2-02(A) directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record, and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02(D) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger, and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

Debt service payments were incorrectly classified as a capital outlay expense in the General Fund in 2010 and in the Sewer Reserve Debt Fund in 2009 and 2010. In 2010, tax revenue was posted incorrectly as intergovernmental revenue in the General Fund, and intergovernmental revenue was posted incorrectly as miscellaneous revenue in the Street Repair Fund. Proceeds from Bond Acquisition was incorrectly classified as capital outlay in the General Fund in 2010. Additionally, the activity and balance of the Mayor's Court Computer Fund Activity as a Special Revenue Fund was not reported by the Village on their financial statement for 2010. This did not allow the Fiscal Officer to accurately reflect the receipt and disbursement transactions of the Village.

The fact that the posting errors resulting in adjusting entries occurred, indicates a significant deficiency in the internal controls over financial record keeping and reporting and resulted in the inaccurate reflection of the disbursements of the General Fund for 2010 and in the inaccurate reflection of the receipts of the Special Revenue Funds for both 2009 and 2010. It also resulted in the inaccurate reflection of the financial activity of the Mayor's Court Computer Special Revenue Fund for 2010.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of the accounts and maintain the receipt ledger in the manner prescribed therein.

**Officials' Response**

After reviewing the information and discussing the posting errors associated with the above transactions, I agree that they should have been posted as noted above. We will correct this in the future and will post the transactions into debt service expenditures and intergovernmental receipts, per the language in the disbursement and revenue code descriptions.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2010 and 2009**

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

*Finding Number 2010-002*

**Amended Appropriations - Noncompliance Citation**

Ohio Rev. Code Section 5705.41 (B) and (D), states that no subdivision or taxing authority is to expend money unless it has been appropriated. The Village Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Fiscal Officer may request the Village Council to approve increased disbursement level by increasing appropriations and amending estimated resources, if necessary.

The Village had disbursements plus encumbrances that exceeded approved appropriations for the following funds in 2009, Police Grant and Sewer Capital Improvement Funds and in 2010 the General Fund. Failing to comply with this requirement could lead to the Village disbursing more than is actually available to spend and cause the fund to have negative fund cash balance.

The Village Fiscal Officer should review appropriations and year-to-date disbursements prior to certifying funds are available for each purchase request. The Village Council should also review the appropriations and year-to-date disbursements on a regular basis. This will lead to an earlier recognition of the need to increase appropriations.

**Official's Response**

The Village Fiscal Officer should not make appropriations compared to estimated resources will be monitored more closely in the immediate future.

*Finding Number 2010-003*

**Actual Receipts less than Estimated Receipts – Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

Actual receipts were significantly less than estimated receipts, reducing available resources below the level of appropriations in the following funds for 2010: Police Levy, DUI Education & Enforcement, Police Grant, Sewer Debt, OPWC Sewer Debt and OWDA Sewer Debt Funds and the following funds for 2009: Street Maintenance, Police Levy, Permissive MVT, DUI Education & Enforcement, Sewer Debt, OPWC Sewer Debt and OWDA Sewer Debt Funds. Since the expenditure of Village funds is based on estimated resources, instances when actual receipts do not meet budgetary estimates could lead to overspending.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2010 and 2009**

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

*Finding Number 2010-003* (Continued)

The Village Fiscal Officer should monitor estimated and actual receipts. When it is apparent that actual receipts will fall short of budgetary estimates, the Village Fiscal Officer should obtain a reduced amended certificate from the County Budget Commission. The Village Council should then make corresponding reductions in appropriations.

**Official's Response**

The Village Fiscal Officer has indicated that actual receipts compared to budgetary estimates will be monitored more closely in the immediate future.

*Finding Number 2010-004*

**Appropriations exceeding Estimated Resources – Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states that appropriations to any fund shall not exceed that fund's estimated resources.

Appropriations exceeded estimated resources in the General, Street Maintenance, DUI Education & Enforcement and Advanced Water Deposit Funds.

The Village Council should not make appropriations to any fund in excess of the amount of that fund's estimated resources.

**Official's Response**

The Village Fiscal Officer has indicated that appropriations compared to estimated resources will be monitored more closely in the immediate future.

**VILLAGE OF WINCHESTER, ADAMS COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Years Ended December 31, 2010 and 2009**

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| Description                 | Status           | Comments             |
|-----------------------------|------------------|----------------------|
| 1. Financial Record Keeping | Not<br>Corrected | Reissued as 2010-001 |



# Dave Yost • 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  
SEPTEMBER 20, 2011