VILLAGE OF WINCHESTER, ADAMS COUNTY

Regular Audit

For the Years Ended
December 31, 2008 and 2007

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, 2007 through December 31, 2008. 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

June 23, 2009

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For the Years Ended December 31, 2008 and 2007

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, 2008 and 2007. 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, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2008 and 2007. 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position and where applicable, cash flows, for the years then ended.

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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, 2008 and 2007, 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, 2008 and 2007. 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 **May 29,** 2009 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.

May 29, 2009

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, 2008

	Governmental Fund Types		
	General	Special Revenue	Totals
Cash Receipts:			
Local Taxes	$59,121	$34,695	93,816
Intergovernmental	25,271	52,788	78,059
Fines, Licenses, and Permits	65,529	4,849	70,378
Earnings on Investments	6,109	1,570	7,679
Other Revenue	10,201	712	10,913
Total Cash Receipts	166,231	94,614	260,845
Cash Disbursements:			
Current:			
General Government	68,641	1,434	70,075
Security of Persons and Property	99,220	34,881	134,101
Public Health Services	2,452	0	2,452
Transportation	0	46,215	46,215
Capital Outlay	14,229	21,485	35,714
Total Cash Disbursements	184,542	104,015	288,557
Cash Receipts Over (Under) Cash Disbursements	(18,311)	(9,401)	(27,712)
Fund Cash Balances, January 1	58,805	95,405	154,210
Fund Cash Balances, December 31	$40,494	$86,004	$126,498

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, 2008

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Agency	Totals
Operating Cash Receipts:			
Charges for Services	$325,492	$0	$325,492
Miscellaneous	565	0	565
Total Operating Cash Receipts	326,057	0	326,057
Operating Cash Disbursements:			
Personal Services	68,241	0	68,241
Employee Fringe Benefits	33,146	0	33,146
Contractual Services	111,942	0	111,942
Supplies and Materials	35,608	0	35,608
Total Operating Cash Disbursements	248,937	0	248,937
Operating Income (Loss)	77,120	0	77,120
Non-Operating Cash Receipts (Disbursements):			
Debt Service:			
Redemption of Principal	(39,250)	0	(39,250)
Interest and Fiscal Charges	(2,300)	0	(2,300)
Capital Outlay	(16,906)	0	(16,906)
Other Non-Operating Cash Receipts	0	78,058	78,058
Other Non-Operating Cash Disbursements	0	(82,595)	(82,595)
Total Non-Operating Cash Receipts (Disbursements)	(58,456)	(4,537)	(62,993)
Income (Loss) Before Interfund Transfers	18,664	(4,537)	14,127
Transfers - In	41,550	0	41,550
Transfers - Out	(41,550)	0	(41,550)
Net Receipts Over (Under) Disbursements	18,664	(4,537)	14,127
Fund Cash Balances, January 1	263,701	8,587	272,288
Fund Cash Balances, December 31	$282,365	$4,050	$286,415

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, 2007

	Governmental Fund Types		
	General	Special Revenue	Totals
Cash Receipts:			
Local Taxes	$58,332	$37,638	95,970
Intergovernmental	23,376	53,866	77,242
Fines, Licenses, and Permits	71,293	5,067	76,360
Earnings on Investments	8,298	2,454	10,752
Other Revenue	10,099	86	10,185
Total Cash Receipts	171,398	99,111	270,509
Cash Disbursements:			
Current:			
General Government	75,364	3,298	78,662
Security of Persons and Property	77,401	46,484	123,885
Public Health Services	2,491	0	2,491
Transportation	0	39,477	39,477
Capital Outlay	11,001	19,492	30,493
Debt Service:			
Redemption of Principal	7,343	0	7,343
Interest and Fiscal Charges	393	0	393
Total Cash Disbursements	173,993	108,751	282,744
Cash Receipts Over/(Under) Cash Disbursements	(2,595)	(9,640)	(12,235)
Fund Cash Balances, January 1	61,400	105,045	166,445
Fund Cash Balances, December 31	$58,805	$95,405	$154,210

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, 2007

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Agency	Totals
Operating Cash Receipts:			
Charges for Services	$340,410	$0	$340,410
Miscellaneous	80,576	0	80,576
Total Operating Cash Receipts	420,986	0	420,986
Operating Cash Disbursements:			
Personal Services	59,494	0	59,494
Employee Fringe Benefits	33,975	0	33,975
Contractual Services	270,255	0	270,255
Supplies and Materials	26,895	0	26,895
Total Operating Cash Disbursements	390,619	0	390,619
Operating Income/(Loss)	30,367	0	30,367
Non-Operating Cash Receipts (Disbursements):			
Debt Service:			
Redemption of Principal	(38,250)	0	(38,250)
Interest and Fiscal Charges	(3,000)	0	(3,000)
Capital Outlay	(41,004)	0	(41,004)
Other Non-Operating Cash Receipts	0	96,207	96,207
Other Non-Operating Cash Disbursements	0	(87,620)	(87,620)
Total Non-Operating Cash Receipts (Disbursements)	(82,254)	8,587	(73,667)
Income (Loss) Before Interfund Transfers	(51,887)	8,587	(43,300)
Transfers - In	107,951	0	107,951
Transfers - Out	(107,951)	0	(107,951)
Net Receipts Over/(Under) Disbursements	(51,887)	8,587	(43,300)
Fund Cash Balances, January 1	315,588	0	315,588
Fund Cash Balances, December 31	$263,701	$8,587	$272,288

See accompanying notes to the financial statements.

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.

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 2008 and 2007 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.

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, 2008	December 31, 2007
Demand Deposits	$247,733	$261,498
Certificates of Deposit	165,180	165,000
Total	$412,913	$426,498

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, 2008 and December 31, 2007 was as follows:

2008 Budgeted vs. Actual Receipts

	Receipts		
Fund Type	Budgeted	Actual	Variance
General	$162,527	$166,231	$3,704
Special Revenue	96,736	94,614	(2,122)
Enterprise	381,550	367,607	(13,943)
Total	$640,813	$628,452	($12,361)

2008 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	$223,267	$184,542	$38,725
Special Revenue	190,205	104,015	86,190
Enterprise	645,250	348,943	296,307
Total	$1,058,722	$637,500	$421,222

Note 4 – Budgetary Basis of Accounting -(Continued)

2007 Budgeted vs. Actual Receipts

	Receipts		
Fund Type	Budgeted	Actual	Variance
General	$143,420	$171,398	$27,978
Special Revenue	87,450	99,111	11,661
Enterprise	520,950	528,937	7,987
Total	$751,820	$799,446	$47,626

2007 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	$204,820	$173,993	$30,827
Special Revenue	192,495	108,751	83,744
Enterprise	846,837	580,824	266,013
Total	$1,244,152	$863,568	$380,584

In 2008, a reduced amended certificate of estimated resources should have been obtained for the Street Construction, Maintenance and Repair Fund and the Water Revenue Fund as required by ORC Section 5705.36(A)(4).

Note 5- Long-Term Obligations

A schedule of changes in long-term obligations of the Village during 2008 follows:

	Principal Outstanding 12/31/07	Additions	Deductions	Principal Outstanding 12/31/08	Due in 1 Year
Proprietary Fund Types:					
2003 OWDA Wastewater System Planning Loan - 0.00%	$12,500	$0	$2,500	$10,000	$2,500
2004 OWDA Wastewater System Design Loan - 0.00%	30,000	0	5,000	25,000	5,000
Total OWDA Loans	42,500	0	7,500	35,000	7,500
2004 OPWC Wastewater Treatment Plant Improvement Loan - 0.00%	276,375	0	16,750	259,625	16,750
1972 Sewer Revenue Bonds - 5.00%	46,000	0	15,000	31,000	15,000
Total Proprietary Fund Types	$364,875	$0	$39,250	$325,625	$39,250

A schedule of changes in long-term obligations of the Village during 2007 follows:

	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Due in 1 Year
Governmental Fund Types:					
Ford Motor Credit Police Cruiser Loan - 5.35%	$7,343	$0	$7,343	$0	$0
Total Governmental Fund Types	$7,343	$0	$7,343	$0	$0
Proprietary Fund Types:					
2003 OWDA Wastewater System Planning Loan - 0.00%	$15,000	$0	$2,500	$12,500	$2,500
2004 OWDA Wastewater System Design Loan - 0.00%	35,000	0	5,000	30,000	5,000
Total OWDA Loans	50,000	0	7,500	42,500	7,500
2004 OPWC Wastewater Treatment Plant Improvement Loan - 0.00%	293,125	0	16,750	276,375	16,750
1972 Sewer Revenue Bonds - 5.00%	60,000	0	14,000	46,000	15,000
Total Proprietary Fund Types	$403,125	$0	$38,250	$364,875	$39,250

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, 2008, are as follows:

Year Ended December 31,	Principal
2009	$2,500
2010	2,500
2011	2,500
2012	2,500
	$10,000

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, 2008, are as follows:

Year Ended December 31,	Principal
2009	$5,000
2010	5,000
2011	5,000
2012	5,000
2013	5,000
	$25,000

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.

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, 2008, are as follows:

Year Ended December 31,	Principal
2009	$16,750
2010	16,750
2011	16,750
2012	16,750
2013	16,750
2014 - 2018	83,750
2019 - 2023	83,750
2024	8,375
	$259,625

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, 2008, are as follows:

Year Ended December 31,	Principal	Interest	Total
2009	$15,000	$1,550	$16,550
2010	16,000	800	16,800
	$31,000	$2,350	$33,350

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

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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007, 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.

Note 6– Property Taxes – (Continued)

Tangible personal property tax receipts received in 2008 (other than public utility property) represent collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is being phased out. For 2007, tangible personal property tax was assessed at 12.50 percent for property, including inventory. This percentage was reduced to 6.25 percent for 2008, and will be 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.

The full tax rate for all Township operations for the year ended December 31, 2008 and 2007, was $13.00 per $1000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 and 2007 property tax receipts were based are as follows:

Real Property:	2008	2007
Residential/Agricultural	$8,259,830	$7,228,820
Commercial/Industrial	2,191,820	2,202,560
Personal Property	289,800	188,360
Public Utility	445,960	505,050
Total Assessed Value	$11,187,410	$10,124,790

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 Village belongs to the Public Entities Pool of Ohio (“PEP”), a risk-sharing pool available to Ohio local governments. PEP provides property and causality insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Coverage

PEP retains casualty risks up to $350,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $350,000 up to $2,650,000 per claim and $10,000,000 in the aggregate per year.

If losses exhaust PEP’s retained earnings, APEEP covers PEP losses up to $5,000,000 per year, subject to a per-claim limit of $3,000,000.

Property Coverage

APEEP established a risk-sharing property program. Under the program, Travelers Indemnity Company reinsures specific losses exceeding $250,000 up to $600 million per occurrence. This amount was increased to $300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable values. If the stop loss is reached by payment of losses between $100,000 and $300,000, Travelers will reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 was $2,014,548.

Note 7 – Risk Management - (Continued)

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (The latest information available):

	2007	**2006**
Assets	$37,560,071	$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Retained earnings	20,219,246	19,384,290

At December 31, 2007 and 2006, respectively, the liabilities above include approximately $15.9 million and $15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $15.0 million and $14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, 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 $46,169. 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.

Contribution to PEP	
2006	$7,301
2007	$6,289
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, 2008, 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 2008 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 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 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 9.75 percent. The Village of Winchester's contribution rate for pension benefits for 2007 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 17.17 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, 2008, 2007, and 2006 were $14,671, $15,374, and $13,603, respectively. The full amount has been contributed for 2008, 2007 and 2006.

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.

Note 8 – Retirement Systems – (Continued)

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 $9,391, $6,643 and $3,195 for the years ended December 31, 2008, 2007, 2006, respectively. The full amount has been contributed for 2008, 2007 and 2006. Of the previously mentioned contributions, for the years ending December 31, 2008, 2007, 2006, $32, $23 and $13, 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.

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 2008 local government employer contribution rate was 14.0 percent of covered payroll (17.1 percent for public safety and law enforcement); 7.0 percent of covered payroll was the portion that was used to fund health care. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement); 6.0 percent of covered payroll was the portion that was used to fund health care.

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, 2007, 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 4.0 percent annually for the next nine years and 4.0 percent annually after nine years.

Note 9 - Postemployment Benefits – (Continued)

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 2008 and 2007 were 363,503 and 364,076 respectively. The actual employer contributions for 2008 which were used to fund postemployment benefits were $7,336. The actual value of OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.8 billion and $17.0 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 2008 and 2007. 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 2008 that were used to fund postemployment health care benefits were $3,251 for police officers. The OP&F's total health care expense for the year ended December 31, 2007, (the latest information available) was $92,205,319, which was net of member contributions of $56,031,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2007, was 14,295 for police and 10,583 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, 2008 and 2007, and have issued our report thereon dated May 29, 2009, 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 Sates 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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. We consider the deficiency described as item 2008-001 in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

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 believe the deficiency in internal control over financial reporting described above is a material weakness.

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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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted a certain matter that we reported to management of the Village in a separate letter dated May 29, 2009.

The Village's response to the finding identified in our audit is 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.

May 29, 2009

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

Finding Number 2008-001

Financial Record Keeping - Non-Compliance/Significant Deficiency/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 general government expense in the General Fund in 2007. In 2008, a gasoline tax receipt was posted incorrectly as other revenue in the General Fund, instead of as intergovernmental revenue in the Street Maintenance and Repair Fund. Additionally, the activity and balance of the Mayor's Court as an Agency Fund was not reported by the Village on their financial statement for either year. 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 an 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 2007 and in the inaccurate reflection of the receipts of the General Fund and the Special Revenue Funds for 2008. It also resulted in the inaccurate reflection of the financial activity of the Mayor's Court Agency Fund for both 2007 and 2008

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.

<u>Officials' Response</u>

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

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
JULY 7, 2009

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