



Dave Yost • Auditor of State

VILLAGE OF WINCHESTER
ADAMS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Winchester, Adams County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Winchester, Adams County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Winchester adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 16, 2013

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$75,496	\$46,895	\$122,391
Intergovernmental	98,038	55,117	153,155
Fines, Licenses and Permits	75,590	6,970	82,560
Earnings on Investments	461	370	831
Miscellaneous	5,743	0	5,743
<i>Total Cash Receipts</i>	<u>255,328</u>	<u>109,352</u>	<u>364,680</u>
Cash Disbursements			
Current:			
Security of Persons and Property	115,254	44,948	160,202
Transportation	0	44,311	44,311
General Government	51,674	2,204	53,878
Capital Outlay	33,832	2,910	36,742
Debt Service:			
Principal Retirement	6,840	0	6,840
Interest and Fiscal Charges	463	0	463
<i>Total Cash Disbursements</i>	<u>208,063</u>	<u>94,373</u>	<u>302,436</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>47,265</u>	<u>14,979</u>	<u>62,244</u>
Other Financing Receipts (Disbursements)			
Advances In	14,604	14,604	29,208
Advances Out	(14,604)	(14,604)	(29,208)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	47,265	14,979	62,244
<i>Fund Cash Balances, January 1</i>	<u>40,011</u>	<u>74,139</u>	<u>114,150</u>
Fund Cash Balances, December 31			
Restricted	0	89,118	89,118
Unassigned (Deficit)	87,276	0	87,276
<i>Fund Cash Balances, December 31</i>	<u>\$87,276</u>	<u>\$89,118</u>	<u>\$176,394</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$336,519		\$336,519
<i>Total Operating Cash Receipts</i>	<u>336,519</u>	<u>0</u>	<u>336,519</u>
Operating Cash Disbursements			
Personal Services	68,656		68,656
Employee Fringe Benefits	36,517		36,517
Contractual Services	142,328		142,328
Supplies and Materials	57,371		57,371
<i>Total Operating Cash Disbursements</i>	<u>304,872</u>	<u>0</u>	<u>304,872</u>
<i>Operating Income (Loss)</i>	<u>31,647</u>	<u>0</u>	<u>31,647</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	500		500
Principal Retirement	(15,875)		(15,875)
Other Financing Sources		99,684	99,684
Other Financing Uses		(99,684)	(99,684)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(15,375)</u>	<u>0</u>	<u>(15,375)</u>
<i>Net Change in Fund Cash Balances</i>	16,272	0	16,272
<i>Fund Cash Balances, January 1</i>	<u>298,032</u>	<u>0</u>	<u>298,032</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$314,304</u></u>	<u><u>\$0</u></u>	<u><u>\$314,304</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$62,972	\$38,956	\$101,928
Intergovernmental	53,084	63,082	116,166
Fines, Licenses and Permits	92,365	10,975	103,340
Earnings on Investments	795	662	1,457
Miscellaneous	8,076	0	8,076
<i>Total Cash Receipts</i>	<u>217,292</u>	<u>113,675</u>	<u>330,967</u>
Cash Disbursements			
Current:			
Security of Persons and Property	102,139	60,534	162,673
Transportation	0	56,869	56,869
General Government	55,401	0	55,401
Capital Outlay	35,634	0	35,634
Debt Service:			
Principal Retirement	7,093	0	7,093
Interest and Fiscal Charges	990	0	990
<i>Total Cash Disbursements</i>	<u>201,257</u>	<u>117,403</u>	<u>318,660</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>16,035</u>	<u>(3,728)</u>	<u>12,307</u>
Other Financing Receipts (Disbursements)			
Advances In		20,000	20,000
Advances Out	(20,000)		(20,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,000)</u>	<u>20,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(3,965)	16,272	12,307
<i>Fund Cash Balances, January 1</i>	<u>43,976</u>	<u>57,867</u>	<u>101,843</u>
Fund Cash Balances, December 31			
Restricted	0	74,139	74,139
Unassigned (Deficit)	40,011	0	40,011
<i>Fund Cash Balances, December 31</i>	<u>\$40,011</u>	<u>\$74,139</u>	<u>\$114,150</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$340,481		\$340,481
<i>Total Operating Cash Receipts</i>	<u>340,481</u>	<u>0</u>	<u>340,481</u>
Operating Cash Disbursements			
Personal Services	67,159		67,159
Employee Fringe Benefits	34,773		34,773
Contractual Services	170,107		170,107
Supplies and Materials	45,020		45,020
<i>Total Operating Cash Disbursements</i>	<u>317,059</u>	<u>0</u>	<u>317,059</u>
<i>Operating Income (Loss)</i>	<u>23,422</u>	<u>0</u>	<u>23,422</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	3,031		3,031
Principal Retirement	(15,875)		(15,875)
Other Financing Sources		116,695	116,695
Other Financing Uses		(123,471)	(123,471)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(12,844)</u>	<u>(6,776)</u>	<u>(19,620)</u>
<i>Net Change in Fund Cash Balances</i>	10,578	(6,776)	3,802
<i>Fund Cash Balances, January 1</i>	<u>287,454</u>	<u>6,776</u>	<u>294,230</u>
<i>Fund Cash Balances, December 31</i>	<u>\$298,032</u>	<u>\$0</u>	<u>\$298,032</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Winchester, Adams County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, maintenance of roads and bridges, maintenance of cemeteries, water and sewer utilities and police services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

During the period the Village maintained a general checking account, Mayor's Court checking account, Mayor's Court Computer checking account, savings account, and certificates of deposit. The Village values the certificate of deposit at cost. The Village pools the cash deposits to capture the highest rate of return.

The Village had no investments.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Police Levy Fund – This fund receives real estate tax and homestead and rollback money to provide police protection services to the Village.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court activities.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

VILLAGE OF WINCHESTER
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies**

2. **Estimated Resources**

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

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of deposits at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$248,774	\$226,567
Certificates of deposit	165,000	165,000
Other time deposits (savings and NOW accounts)	76,924	20,615
Total deposits	<u>490,698</u>	<u>412,182</u>

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

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$250,250	\$269,932	\$19,682
Special Revenue	95,154	123,956	28,802
Enterprise	353,750	337,019	(16,731)
Total	\$699,154	\$730,907	\$31,753

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$286,430	\$222,667	\$63,763
Special Revenue	95,154	108,977	(13,823)
Enterprise	458,750	320,747	138,003
Total	\$840,334	\$652,391	\$187,943

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$173,653	\$217,292	\$43,639
Special Revenue	94,070	133,675	39,605
Enterprise	388,000	343,512	(44,488)
Total	\$655,723	\$694,479	\$38,756

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$198,030	\$221,257	(\$23,227)
Special Revenue	97,359	117,403	(20,044)
Enterprise	385,493	332,934	52,559
Total	\$680,882	\$671,594	\$9,288

Disbursements exceeded approved appropriations in the General, Street Construction, and Police Levy Funds in 2011 and in the Police Levy and Mayor's Court Computer Funds in 2012, which are violations of Ohio Revised Code Section 5705.41 (B).

Appropriations exceeded estimated resources in the Police Levy Fund in 2012, which is a violation of Ohio Revised Code Section 5705.39.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First State Bank - Police Cruiser Bond	\$9,920	5%
2004 OWDA Wastewater System Design Loan	\$5,000	0%
2004 OPWC Wastewater Treatment Plant Improvement Loan	<u>\$192,625</u>	0%
Total Governmental Fund Types	<u><u>\$207,545</u></u>	

The Police Cruiser Bond was a loan originally issued for \$29,906 from First State Bank, which will be paid from the General Fund. The Ohio Water Development Authority (OWDA) loan was originally issued for \$50,000 that relates to Wastewater System Design. The Village will repay the loan from sewer system revenues over a 10 year period. The Ohio Public Works Commission (OPWC) loan was originally issued for \$335,000 for Wastewater Treatment Plant Improvements. The Village will repay the loan from sewer system revenues over a 20 year period.

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

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

Year ending December 31:	Police Cruiser		
	Bond	OWDA Loan	OPWC Loan
2013	\$7,851	\$5,000	\$8,375
2014	2,069	0	16,750
2015		0	16,750
2016		0	16,750
2017		0	16,750
2018-2021		0	117,250
Total	<u>\$9,920</u>	<u>\$5,000</u>	<u>\$192,625</u>

7. Retirement Systems

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village 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 casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

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

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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government's share of these unpaid claims collectible in future years is approximately \$11,000.

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.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$12,442	\$12,618

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Winchester, Adams County, Ohio (the Village), as of and for the years ended December 31, 2012, and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village has adopted Government Accounting Standards Board Statement No. 54.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 and 2012-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 16, 2013

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Noncompliance Citation/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.

We noted the following conditions:

- During 2011, intergovernmental revenue was posted incorrectly as tax revenue in the General Fund in the amount of \$21,223, Police Levy Fund in the amount of \$3,042, and Permissive Motor Vehicle License Tax Fund in the amount of \$4,828.
- During 2011, \$2,144 in tax receipts was posted incorrectly to the Police Levy Fund instead of the General Fund.
- During 2011, \$1,979 in intergovernmental revenue for a gasoline excise tax receipts that should have been posted to the Street Construction Fund was posted incorrectly to the State Highway Fund.
- During 2011, \$625 in fines, licenses, and permit receipts that should have been posted to the Mayor's Court Computer Fund was posted incorrectly to the General Fund as fines, licenses, and permits and other revenue.
- During 2011, \$1,623 in fines, licenses, and permit receipts and security of persons and property expenditures were not posted to the Mayor's Court Computer Fund.
- During 2011 and 2012, in intergovernmental revenue was posted incorrectly as other revenue in the General Fund in the amount of \$22,667 and \$33,047, respectively.
- During 2011 and 2012, intergovernmental revenue for real estate homestead and rollback receipts was posted incorrectly to the General Fund and should have been posted to the Police Levy Fund in the amount of \$6,138 and \$6,161, respectively.
- During 2011 and 2012, Mayor's Court activity was not posted to the Village's records in the amount of \$116,695 and \$99,684, respectively.

**FINDING NUMBER 2012-01
(Continued)**

- During 2011 and 2012, \$8,375 in debt service payments were posted incorrectly as contractual service expenses in the Sewer Fund.
- During 2011 and 2012, intergovernmental revenue for permissive motor vehicle license tax receipts that should have been posted to the Permissive Motor Vehicle License Tax Fund was posted incorrectly to the Street Construction Fund and State Highway Fund in the amount of \$360 and \$963, respectively.
- During 2011 and 2012, disbursements for drug buys were posted incorrectly to the General Fund as capital outlay expenditures and should have been posted as security of persons and property expenditures in the amount of \$3,800 and \$1,500, respectively.
- During 2012, intergovernmental revenue was posted incorrectly as tax revenue in the General Fund in the amount of \$12,207, Police Levy Fund in the amount of \$1,988, and Permissive Motor Vehicle License Tax Fund in the amount of \$4,263.
- During 2012, a \$16,475 estate tax receipt was posted incorrectly to the General Fund in the net amount instead of the gross amount.

As a result of these errors, receipts and disbursements for certain line items were incorrectly reported on the Annual Report and amounts were posted to the incorrect funds. The Village posted audit adjustments to the financial statement and accounting records, where appropriate, to correct these errors.

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 and appropriation in the manner prescribed therein.

Officials' Response:

Officials did not respond to this finding.

FINDING NUMBER 2012-02

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2012-02
(Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-two percent of the transactions tested in 2012 and 2011 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials’ Response:

Officials did not respond to this finding.

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**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Financial Record Keeping	No	Not Corrected - Reissued as Finding Number 2012-01.
2010-002	Ohio Rev. Code Section 5705.41(B) and (D) – Budgetary expenditures exceeded appropriations and not certifying the availability of funds prior to obligation.	No	Not Corrected – Reissued as Finding Number 2012-02 for Ohio Rev. Code Section 5705.41(D) and Ohio Rev. Code Section 5705.41(B) was reissued as a Management Letter comment.
2010-003	Ohio Rev. Code Section 5705.36(A)(2) – Actual receipts less than estimated receipts.	Yes	
2010-004	Ohio Rev. Code Section 5705.39 – Appropriations exceeded estimated resources.	No	Partially Corrected – Reissued as Management Letter comment.

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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
NOVEMBER 7, 2013**