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**VILLAGE OF WINCHESTER
ADAMS COUNTY
Regular Audit
For the Years Ended December 31, 2014 and 2013**

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Village Council
Village of Winchester
56 N. Washington Street
Winchester, Ohio 45697

We have reviewed the *Independent Auditor's Report* of the Village of Winchester, Adams County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. 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.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Winchester is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 4, 2015

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VILLAGE OF WINCHESTER
ADAMS COUNTY

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INDEPENDENT AUDITOR'S REPORT

August 27, 2015

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, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 statement 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.



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

As described in Note 1B of the financial statements, the Village prepared the 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend the statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, or changes in financial position or cash flows thereof for the years 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, 2014 and 2013, 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(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 78,346	\$ 48,694	\$ 127,040
Intergovernmental	25,708	60,412	86,120
Fines, Licenses and Permits	95,790	5,939	101,729
Earnings on Investments	293	111	404
Miscellaneous	4,415	407	4,822
<i>Total Cash Receipts</i>	<u>204,552</u>	<u>115,563</u>	<u>320,115</u>
Cash Disbursements			
Current:			
Security of Persons and Property	121,222	34,715	155,937
Leisure Time Activities	2,305	-	2,305
Transportation	-	40,315	40,315
General Government	81,039	10,063	91,102
Capital Outlay	40,434	-	40,434
Debt Service:			
Principal Retirement	7,109	-	7,109
Interest and Fiscal Charges	715	-	715
<i>Total Cash Disbursements</i>	<u>252,824</u>	<u>85,093</u>	<u>337,917</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(48,272)</u>	<u>30,470</u>	<u>(17,802)</u>
Other Financing Receipts			
Sale of Bonds	40,434	-	40,434
<i>Total Other Financing Receipts</i>	<u>40,434</u>	<u>-</u>	<u>40,434</u>
<i>Net Change in Fund Cash Balances</i>	(7,838)	30,470	22,632
<i>Fund Cash Balances, January 1</i>	<u>138,600</u>	<u>91,526</u>	<u>230,126</u>
Fund Cash Balances, December 31			
Restricted	-	121,996	121,996
Unassigned	130,762	-	130,762
<i>Fund Cash Balances, December 31</i>	<u>\$ 130,762</u>	<u>\$ 121,996</u>	<u>\$ 252,758</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, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 345,080	\$ -	\$ 345,080
<i>Total Operating Cash Receipts</i>	<u>345,080</u>	<u>-</u>	<u>345,080</u>
Operating Cash Disbursements			
Personal Services	71,565	-	71,565
Employee Fringe Benefits	37,200	-	37,200
Contractual Services	156,836	-	156,836
Supplies and Materials	8,863	-	8,863
<i>Total Operating Cash Disbursements</i>	<u>274,464</u>	<u>-</u>	<u>274,464</u>
<i>Operating Income</i>	<u>70,616</u>	<u>-</u>	<u>70,616</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	1,620	-	1,620
Principal Retirement	(16,750)	-	(16,750)
Other Non-Operating Cash Receipts	-	106,960	106,960
Other Non-Operating Cash Disbursements	-	(106,430)	(106,430)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(15,130)</u>	<u>530</u>	<u>(14,600)</u>
<i>Income before Transfers</i>	55,486	530	56,016
Transfers In	8,375	-	8,375
Transfers Out	(8,375)	-	(8,375)
<i>Net Change in Fund Cash Balances</i>	55,486	530	56,016
<i>Fund Cash Balances, January 1</i>	<u>350,090</u>	<u>-</u>	<u>350,090</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 405,576</u>	<u>\$ 530</u>	<u>\$ 406,106</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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 81,674	\$ 43,672	\$ 125,346
Intergovernmental	46,463	60,870	107,333
Fines, Licenses and Permits	83,354	5,692	89,046
Earnings on Investments	475	198	673
Miscellaneous	2,221	-	2,221
<i>Total Cash Receipts</i>	<u>214,187</u>	<u>110,432</u>	<u>324,619</u>
Cash Disbursements			
Current:			
Security of Persons and Property	116,605	35,251	151,856
Transportation	-	44,245	44,245
General Government	44,385	6,431	50,816
Capital Outlay	11,453	2,097	13,550
Debt Service:			
Principal Retirement	9,920	-	9,920
Interest and Fiscal Charges	500	-	500
<i>Total Cash Disbursements</i>	<u>182,863</u>	<u>88,024</u>	<u>270,887</u>
<i>Excess of Receipts Over Disbursements</i>	<u>31,324</u>	<u>22,408</u>	<u>53,732</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>-</u>
<i>Net Change in Fund Cash Balances</i>	51,324	2,408	53,732
<i>Fund Cash Balances, January 1</i>	<u>87,276</u>	<u>89,118</u>	<u>176,394</u>
Fund Cash Balances, December 31			
Restricted	-	91,526	91,526
Unassigned	138,600	-	138,600
<i>Fund Cash Balances, December 31</i>	<u>\$ 138,600</u>	<u>\$ 91,526</u>	<u>\$ 230,126</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, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 334,252	\$ -	\$ 334,252
<i>Total Operating Cash Receipts</i>	<u>334,252</u>	<u>-</u>	<u>334,252</u>
Operating Cash Disbursements			
Personal Services	68,332	-	68,332
Employee Fringe Benefits	37,640	-	37,640
Contractual Services	157,676	-	157,676
Supplies and Materials	14,468	-	14,468
<i>Total Operating Cash Disbursements</i>	<u>278,116</u>	<u>-</u>	<u>278,116</u>
<i>Operating Income</i>	<u>56,136</u>	<u>-</u>	<u>56,136</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	1,400	-	1,400
Principal Retirement	(21,750)	-	(21,750)
Other Non-Operating Cash Receipts	-	104,640	104,640
Other Non-Operating Cash Disbursements	-	(104,640)	(104,640)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(20,350)</u>	<u>-</u>	<u>(20,350)</u>
<i>Income before Transfers</i>	35,786	-	35,786
Transfers In	21,750	-	21,750
Transfers Out	(21,750)	-	(21,750)
<i>Net Change in Fund Cash Balances</i>	35,786	-	35,786
<i>Fund Cash Balances, January 1</i>	<u>314,304</u>	<u>-</u>	<u>314,304</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 350,090</u>	<u>\$ -</u>	<u>\$ 350,090</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, 2014 AND 2013**

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 governmental services, maintenance of roads and bridges, maintenance of cemeteries, water and sewer utilities, and police services.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 has no investments.

D. Fund Accounting

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

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 has the following significant Special Revenue Funds:

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

Police Levy Fund – This fund receives property taxes 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 the cost of providing this utility.

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

4. Fiduciary Funds (Agency 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.

VILLAGE OF WINCHESTER
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Fund Accounting (Continued)

4. Fiduciary Funds (Agency Funds) (Continued)

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 activity.

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.

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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 and 2013 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.

VILLAGE OF WINCHESTER
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31 was as follows:

	2014	2013
Demand deposits	\$ 493,864	\$ 415,216
Certificate of deposit	165,000	165,000
Total deposits	\$ 658,864	\$ 580,216

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 217,935	\$ 244,986	\$ 27,051
Special Revenue	100,600	115,563	14,963
Enterprise	346,750	355,075	8,325
Total	\$ 665,285	\$ 715,624	\$ 50,339

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 322,200	\$ 252,824	\$ 69,376
Special Revenue	118,260	85,093	33,167
Enterprise	446,750	299,589	147,161
Total	\$ 887,210	\$ 637,506	\$ 249,704

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 232,805	\$ 214,187	\$ (18,618)
Special Revenue	98,040	110,432	12,392
Enterprise	351,750	357,402	5,652
Total	\$ 682,595	\$ 682,021	\$ (574)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 276,973	\$ 182,863	\$ 94,110
Special Revenue	142,090	88,024	54,066
Enterprise	456,750	321,616	135,134
Total	\$ 875,813	\$ 592,503	\$ 283,310

4. PROPERTY TAXES

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 make semiannual payment, 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.

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

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
2014 Police Cruiser Bond	\$ 33,325	2.5%
2004 OPWC Wastewater Treatment Plant Improvement Loan	159,125	0%
Total	\$ 192,450	

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT (Continued)

The Police Cruiser Bond was a loan originally issued for \$29,906 from First State Bank, which will be paid from the General Fund. This loan was paid off in 2013.

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. This loan was paid off in 2013

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.

The Village issued a new Police Cruiser Bond issued for \$40,434 from First State Bank, which will be paid from the General Fund.

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

Year Ended	Police Cruiser Bond	OPWC 2004	Total
2015	\$ 8,616	\$ 16,750	\$ 25,366
2016	8,616	16,750	25,366
2017	8,616	16,750	25,366
2018	8,616	16,750	25,366
2019	2,154	16,750	18,904
2020-2024	-	75,375	75,375
Total	\$ 36,618	\$ 159,125	\$ 195,743

6. RETIREMENT SYSTEMS

The Village's law enforcement 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 2014 and 2013, OP&F participants contributed 10% from January 1, 2013 to June 30, 2013, 10.75% from July 1, 2013 to June 30, 2014, and 11.5% from July 1, 2014 to December 31, 2014 of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2014 and 2013, 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, 2014.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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 net position at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$9,000.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

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>2013</u>	<u>2014</u>
\$13,769	\$13,779

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.

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. TRANSFERS AND ADVANCES

During 2013, the following transfers were made:

	Transfers In	Transfers Out
Sewer Revenue Fund	\$ -	\$ 21,750
OPWC Sewer Fund	16,750	-
OWDA Sewer Fund	5,000	-
Total	\$ 21,750	\$ 21,750

During 2014, the following transfers were made:

	Transfers In	Transfers Out
Sewer Revenue Fund	\$ -	\$ 8,375
OPWC Sewer Fund	8,375	-
Total	\$ 8,375	\$ 8,375

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. TRANSFERS AND ADVANCES (Continued)

During 2013, the Village transferred money from the Sewer Revenue Fund to the OPWC and OWDA Sewer Funds in order to pay debt payments from the appropriate funds. During 2014, the Village transferred money from the Sewer Revenue Fund to the OPWC Sewer Fund in order to pay debt payments from the appropriate fund.

During 2013, the following advances were made:

	<u>Advances In</u>	<u>Advances Out</u>
Police Levy Fund	\$ -	\$ (20,000)
General Fund	20,000	-
Total	<u>\$ 20,000</u>	<u>\$ (20,000)</u>

During 2013, the Village advanced money back into the General Fund from the Police Levy Fund in order to pay back the advance from 2011.

Transfers and advances for both years were determined to be appropriate and in compliance with the Ohio Revised Code.



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740.373.0056

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Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

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

August 27, 2015

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, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 27, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 statement, 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 audit 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 2014-001 described in the accompanying schedule of audit findings to be a material weakness.

... "bringing more to the table"

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 27, 2015.

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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF WINCHESTER
ADAMS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2014 and 2013, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursement. The following posting errors were noted:

- Mayor's Court activity was not posted to the Village's records
- Intergovernmental revenue for real estate homestead and rollback receipts were posted incorrectly to the General Fund and should have been posted to the Police Levy Fund and the General Fund
- Debt proceeds were not recorded to the financial statements along with the corresponding capital outlay expenditure
- Intergovernmental revenue for permissive motor vehicle license tax receipts were posted as tax receipts instead of intergovernmental revenue
- Sewer Debt payment was paid out of the Water Fund instead of the OPWC Sewer Fund

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The accompanying financial statements reflect all reclassifications and adjustments. The Village has posted all adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and Ohio Administration Code for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	OAC Section 117-2-02(A)	No	Repeated as Finding 2014-001
2012-02	ORC Section 5705.41(D)	Yes	N/A



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
DECEMBER 17, 2015