



**Auditor of State
Betty Montgomery**

VILLAGE OF WINCHESTER
ADAMS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Winchester
Adams County
P.O. Box 156
Winchester, Ohio 45697

To the Village Council:

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, 2002 and 2001. These financial statements are the responsibility of the Village'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. 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2003 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 grants. 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 in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

April 30, 2003

**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, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$53,880	\$36,086	\$0	\$89,966
Intergovernmental Receipts	25,789	35,059		60,848
Fines, Licenses, and Permits	45,357	2,385		47,742
Earnings on Investments	13,098	1,402		14,500
Miscellaneous	2,096	40		2,136
	<u>140,220</u>	<u>74,972</u>	<u>0</u>	<u>215,192</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	46,897	31,716		78,613
Public Health Services	2,734			2,734
Transportation		37,414		37,414
General Government	84,460	966		85,426
Capital Outlay		3,500	10,719	14,219
	<u>134,091</u>	<u>73,596</u>	<u>10,719</u>	<u>218,406</u>
Total Receipts Over/(Under) Disbursements	6,129	1,376	(10,719)	(3,214)
Fund Cash Balances, January 1	<u>149,491</u>	<u>71,850</u>	<u>10,719</u>	<u>232,060</u>
Fund Cash Balances, December 31	<u>\$155,620</u>	<u>\$73,226</u>	<u>\$0</u>	<u>\$228,846</u>
Reserves for Encumbrances, December 31	<u>\$1,200</u>	<u>\$4,325</u>	<u>\$0</u>	<u>\$5,525</u>

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

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$305,659	\$0	\$305,659
Miscellaneous	1,992		1,992
Total Operating Cash Receipts	<u>307,651</u>	<u>0</u>	<u>307,651</u>
Operating Cash Disbursements:			
Personal Services	63,969		63,969
Fringe Benefits	12,365		12,365
Contractual Services	151,068		151,068
Supplies and Materials	40,780		40,780
Capital Outlay	11,270		11,270
Total Operating Cash Disbursements	<u>279,452</u>	<u>0</u>	<u>279,452</u>
Operating Income	<u>28,199</u>	<u>0</u>	<u>28,199</u>
Non-Operating Cash Receipts:			
Proceeds from Loan	50,000		50,000
Other Non-Operating Receipts		51,520	51,520
Total Non-Operating Cash Receipts	<u>50,000</u>	<u>51,520</u>	<u>101,520</u>
Non-Operating Cash Disbursements:			
Debt Service	18,300		18,300
Other Non-Operating Cash Disbursements		51,445	51,445
Total Non-Operating Cash Disbursements	<u>18,300</u>	<u>51,445</u>	<u>69,745</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	59,899	75	59,974
Transfers-In	38,300		38,300
Transfers-Out	<u>(38,300)</u>		<u>(38,300)</u>
Net Receipts Over Disbursements	59,899	75	59,974
Fund Cash Balances, January 1	<u>371,053</u>	<u>80</u>	<u>371,133</u>
Fund Cash Balances, December 31	<u>\$430,952</u>	<u>\$155</u>	<u>\$431,107</u>
Reserve for Encumbrances, December 31	<u>\$30,971</u>	<u>\$0</u>	<u>\$30,971</u>

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

**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, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$47,988	\$33,733	\$0	\$81,721
Intergovernmental Receipts	46,848	37,307	311,069	395,224
Fines, Licenses, and Permits	38,157	2,415		40,572
Earnings on Investments	17,848	2,245		20,093
Miscellaneous	4,174			4,174
	<u>155,015</u>	<u>75,700</u>	<u>311,069</u>	<u>541,784</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	41,315	33,603		74,918
Public Health Services	1,711			1,711
Transportation		15,017		15,017
General Government	66,645	804		67,449
Capital Outlay	53,700	19,021	299,865	372,586
	<u>163,371</u>	<u>68,445</u>	<u>299,865</u>	<u>531,681</u>
Total Receipts Over/(Under) Disbursements	<u>(8,356)</u>	<u>7,255</u>	<u>11,204</u>	<u>10,103</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		264		264
Advances-In	485			485
Transfers-Out	(264)			(264)
Advances-Out			(485)	(485)
	<u>221</u>	<u>264</u>	<u>(485)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(8,135)	7,519	10,719	10,103
Fund Cash Balances, January 1	157,626	64,331		221,957
Fund Cash Balances, December 31	<u>\$149,491</u>	<u>\$71,850</u>	<u>\$10,719</u>	<u>\$232,060</u>
Reserves for Encumbrances, December 31	<u>\$6,484</u>	<u>\$4,667</u>	<u>\$0</u>	<u>\$11,151</u>

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

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$283,038	\$0	\$283,038
Miscellaneous	1,639		1,639
Total Operating Cash Receipts	<u>284,677</u>	<u>0</u>	<u>284,677</u>
Operating Cash Disbursements:			
Personal Services	55,678		55,678
Fringe Benefits	11,951		11,951
Contractual Services	140,558		140,558
Supplies and Materials	39,132		39,132
Other	407		407
Capital Outlay	39,057		39,057
Total Operating Cash Disbursements	<u>286,783</u>	<u>0</u>	<u>286,783</u>
Operating Loss	<u>(2,106)</u>	<u>0</u>	<u>(2,106)</u>
Non-Operating Cash Receipts:			
Proceeds from Loan	25,000		25,000
Other Non-Operating Receipts		45,263	45,263
Total Non-Operating Cash Receipts	<u>25,000</u>	<u>45,263</u>	<u>70,263</u>
Non-Operating Cash Disbursements:			
Debt Service	18,900		18,900
Other Non-Operating Cash Disbursements		45,278	45,278
Total Non-Operating Cash Disbursements	<u>18,900</u>	<u>45,278</u>	<u>64,178</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	3,994	(15)	3,979
Transfers-In	38,900		38,900
Transfers-Out	<u>(38,900)</u>		<u>(38,900)</u>
Net Receipts Over/(Under) Disbursements	3,994	(15)	3,979
Fund Cash Balances, January 1	<u>367,059</u>	<u>95</u>	<u>367,154</u>
Fund Cash Balances, December 31	<u>\$371,053</u>	<u>\$80</u>	<u>\$371,133</u>
Reserve for Encumbrances, December 31	<u>\$46</u>	<u>\$0</u>	<u>\$46</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Winchester, Adams County, Ohio (the Village), is a body corporate and politic 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. The Village provides water and sewer utilities, street lighting, road maintenance, and police services.

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

B. Basis of Accounting

These financial statements 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. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Village has certificates of deposit and a money market deposit account which are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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 tax monies for providing police protection services.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Agri-Business Center Fund

This fund received grant monies for the construction of an agri-business center.

4. Enterprise Funds

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

Water Revenue Fund

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

Sewer Revenue Fund

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

5. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund

This fund accounts for the proceeds and disposition of Mayor's Court case monies.

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. 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.

G. 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.

2. EQUITY IN POOLED CASH DEPOSITS

The Village maintains a cash deposits pool used by all funds except for Mayor's Court, which is maintained in a separate account. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash deposits, including \$50 cash on hand, at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$312,953	\$261,051
Money market deposits	162,000	157,142
Certificates of deposit	<u>185,000</u>	<u>185,000</u>
Total deposits	<u><u>\$659,953</u></u>	<u><u>\$603,193</u></u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,685	\$140,220	\$26,535
Special Revenue	69,447	74,972	5,525
Capital Projects	43,250	0	(43,250)
Enterprise	363,770	395,951	32,181
Total	\$590,152	\$611,143	\$20,991

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$265,421	\$135,291	\$130,130
Special Revenue	139,050	77,921	61,129
Capital Projects	53,969	10,719	43,250
Enterprise	734,823	367,023	367,800
Total	\$1,193,263	\$590,954	\$602,309

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,080	\$155,015	\$43,935
Special Revenue	70,321	75,964	5,643
Capital Projects	364,013	311,069	(52,944)
Enterprise	334,500	348,577	14,077
Total	\$879,914	\$890,625	\$10,711

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$269,903	\$170,119	\$99,784
Special Revenue	133,390	73,112	60,278
Capital Projects	363,527	299,865	63,662
Enterprise	672,111	344,629	327,482
Total	\$1,438,931	\$887,725	\$551,206

Contrary to Ohio Law, the Village amended their appropriations in the accounting system, without official approval from Village Council.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sanitary Sewerage System Revenue Bonds	\$114,000	5.00%
Ohio Water Development Authority Loans	75,000	0.00%
Total	<u>\$189,000</u>	

The Sanitary Sewerage System Revenue Bonds relate to a sewer plant expansion project. The bonds are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

The Ohio Water Development Authority (OWDA) loans relate to a sewer plant improvement project mandated by the Environmental Protection Agency (EPA). The project is currently in the planning phase. The Village borrowed \$25,000 in 2001 and \$50,000 in 2002 from the OWDA's Village Capital Improvement Fund. The loans will be repaid in annual installments, over 10 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

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

	OWDA Loans	Sanitary Sewerage System Revenue Bonds	Total
Year ending December 31:			
2003	\$2,500	\$0	\$2,500
2004	7,500	18,700	\$26,200
2005	7,500	18,050	\$25,550
2006	7,500	18,400	\$25,900
2007	7,500	17,700	\$25,200
2008-2013	42,500	67,650	110,150
Total	\$75,000	\$140,500	\$215,500

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

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 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 \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000.

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

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:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

This is the latest information available.

8. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Winchester
Adams County
P.O. Box 156
Winchester, Ohio 45697

To the Village Council:

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, 2002 and 2001, and have issued our report thereon dated April 30, 2003. 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.

Compliance

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 that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-30401-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 30, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 30, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 30, 2003

**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-30401-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.40, allows any appropriation measure to be amended or supplemented, as long as the Village complies with the same provisions of the law as are used in making the original appropriation. Furthermore, Village Council is prohibited from delegating duties statutorily assigned to it, such as the ability to amend appropriations. The Clerk-Treasurer posted appropriation amendments to the accounting system without prior approval of Village Council. We recommend that all appropriation amendments be approved by Council resolution.

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**VILLAGE OF WINCHESTER
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30401-001	Appropriations exceeded estimated resources, contrary to Ohio Rev. Code, Section 5705.39.	Yes	N/A
2000-30401-002	Disbursements exceeded appropriations, contrary to Ohio Rev. Code, Section 5705.41(B).	Yes	N/A
2000-30401-003	Appropriation changes were posted to the accounting system without Village Council approval, contrary to Ohio Rev. Code, Section 5705.40.	No	See Schedule of Findings – Item 2002-30401-001.
2000-30401-004	Certification of availability of funds was not done for 30% of 2000 vouchers tested and 25% of 1999 vouchers tested, contrary to Ohio Rev. Code, Section 5705.41(D).	No	The Village improved their procedures; however, problem has not been fully corrected. Citation included in the Management Letter



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MAY 27, 2003**