



**Auditor of State
Betty Montgomery**

**WINCHESTER TOWNSHIP
ADAMS COUNTY**

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ADAMS COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Winchester Township
Adams County
19311 St. Rt. 136
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winchester Township, Adams County, Ohio (the Township), as of and for the year ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statement and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winchester Township, Adams County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Motor Vehicle License Tax Fund (2005 Only), Gas Tax Fund, Road and Bridge Fund, and Cemetery Fund (2004 Only) for the year then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006, on our consideration of the Township'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

October 31, 2006

Winchester Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)

This discussion and analysis of Winchester Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005 and 2004, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

In 2005, the Township's net assets increased \$31,051 or 31% over 2004. The increase is due to the general nature of receipts exceeding disbursements. In 2004, the Township's net assets increased \$44,641 or 82% as compared to 2003. In 2004, the Township's taxes and intergovernmental receipts increased. Public works disbursements decreased due to less road work projects in 2004.

The Township's general receipts are primarily property taxes. During 2005 and 2004 these receipts represented 40% and 42% respectively of the total cash received for governmental activities. Property tax receipts for 2005 and 2004 changed very little compared to 2003 as property values showed only moderate increases. The Township's program receipts are primarily excise gas tax. Excise tax receipts related to fuel sales increased \$6,420 or 9% in 2005 over 2004, and decreased \$19,722 or 34% in 2004 over 2003. Motor vehicle license tax levied by the township for 2005 and 2004 remained fairly consistent.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Winchester Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)
(Continued)

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is

Winchester Township
 Adams County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005 and 2004
 (Unaudited)
 (Continued)

combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Motor Vehicle License Fund (2005 Only), Gas Tax Fund, Road & Bridge Fund, and the Cemetery Fund (2004 Only). The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2005 and 2004 on a cash basis:
 (Table I)
 Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$130,441	\$99,390
Total Assets	\$130,441	\$99,390
Net Assets		
Restricted for:		
Road & Bridge Maintenance	\$107,081	\$75,316
Cemetery	0	4,239
Other Purposes	4,285	6,860
Unrestricted	19,075	12,975
Total Net Assets	\$130,441	\$99,390

- As mentioned previously, net assets of governmental activities increased \$ 31,051 or 31% percent during 2005; due to the general nature of receipts exceeding disbursements. The primary reasons contributing to the increase in cash is due to an increase in gasoline excise tax received between 2004 as compared to 2005 in the amount of \$16,097.

Winchester Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)
(Continued)

Table 2 reflects the changes in net assets in 2005 and 2004.
(Table 2)

Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Variance
Receipts:			
Program Receipts:			
Operating Grants and Contributions	\$90,086	\$83,588	\$6,498
Total Program Receipts	<u>90,086</u>	<u>83,588</u>	<u>\$6,498</u>
General Receipts:			
Property and Other Local Taxes	38,700	38,865	(165)
Grants and Entitlements Not Restricted to Specific Programs	20,147	21,422	(1,275)
Interest	0	234	(234)
Miscellaneous	354	0	354
Total General Receipts	<u>59,201</u>	<u>60,521</u>	<u>(1,320)</u>
Total Receipts	<u>149,287</u>	<u>144,109</u>	<u>5,178</u>
Disbursements:			
General Government	21,965	22,367	(402)
Public Works	84,491	62,760	21,731
Health	11,780	14,342	(2,562)
Total Disbursements	<u>118,236</u>	<u>99,469</u>	<u>18,767</u>
Excess (Deficiency) Before Transfers	31,051	44,640	(13,589)
Transfers			0
Increase (Decrease) in Net Assets	<u>31,051</u>	<u>44,640</u>	<u>(13,589)</u>
Net Assets, January 1, 2004	99,390	54,750	44,640
Net Assets, December 31, 2004	<u>\$130,441</u>	<u>\$99,390</u>	<u>\$31,051</u>

In 2005, Program receipts represent 60% percent of total receipts. In 2004, program receipts represent 58% of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

In 2005, General receipts represent 40% percent of the Township's total receipts, and of this amount, 65% percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (35%). Other receipts are very insignificant and somewhat unpredictable revenue sources. In 2004, General receipts represent 42% percent of the Township's total receipts, and of this amount, 64% percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (36%). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Winchester Township
 Adams County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005 and 2004
 (Unaudited)
 (Continued)

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of official's salaries and benefits, Township hall maintenance and utilities. Health costs are the property tax deductions to the county health department, and maintenance cost of the cemeteries. Public Works are the costs of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10 and 18, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$21,965	(\$21,965)	\$22,367	(\$22,367)
Public Works	84,491	5,250	62,760	20,354
Health	11,780	(11,591)	14,342	(13,868)
Other	0	156	0	0
Total Expenses	\$118,236	(\$28,150)	\$99,469	(\$15,881)

The Government's Funds

In 2005, total governmental funds had receipts of \$149,287 and disbursements of \$118,236. In 2004, total governmental funds had receipts of \$144,109 and disbursements of \$99,469. The greatest change within governmental funds occurred within the Gas and Road and Bridge Funds. The disbursements increased in these funds in the amount of \$26,039 or 47%, which was the result of the increase of road repairs.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

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Management's Discussion and Analysis
For the Year Ended December 31, 2005 and 2004
(Unaudited)
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General Fund receipts received in 2005 were \$5,778 greater than was budgeted and were \$8,499 greater in 2004.

In 2005, final disbursements were budgeted at \$32,992 while actual disbursements were \$21,265. In 2004, final disbursements were budgeted at \$29,871 while actual disbursements were \$25,467.

Capital Assets and Debt Administration

Capital Assets

The Township does not report capital assets under the cash basis of accounting.

Debt

The Township had no debt during the period January 1, 2004 through December 31, 2005.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, legislative bodies, management, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Rae Jean Maddox, Clerk, Winchester Township, 19311 St. Rt. 136, Winchester, Ohio 45697.

Winchester Township, Adams County

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$130,441</u>
<i>Total Assets</i>	<u><u>\$130,441</u></u>
Net Assets	
Restricted for:	
Road & Bridge Maintenance	\$107,081
Other Purposes	4,285
Unrestricted	<u>19,075</u>
<i>Total Net Assets</i>	<u><u>\$130,441</u></u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash	Operating Grants and Contributions	Total Governmental Activities
	<u>Disbursements</u>		
Governmental Activities			
General Government	\$21,965	\$0	(\$21,965)
Public Works	84,491	89,741	5,250
Health	11,780	189	(11,591)
Other	<u>0</u>	<u>156</u>	<u>156</u>
<i>Total Governmental Activities</i>	<u>\$118,236</u>	<u>\$90,086</u>	<u>(28,150)</u>
General Receipts			
Property Taxes Levied for:			
General Purposes			6,438
Other Purposes			32,262
Grants and Entitlements not Restricted to Specific Programs			20,147
Miscellaneous			<u>354</u>
<i>Total General Receipts</i>			<u>59,201</u>
Change in Net Assets			31,051
<i>Net Assets Beginning of Year</i>			<u>99,390</u>
<i>Net Assets End of Year</i>			<u><u>\$130,441</u></u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	MVL Fund	Gas Tax Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$19,075	\$13,135	\$57,826	\$36,120	\$4,285	\$130,441
<i>Total Assets</i>	<u>\$19,075</u>	<u>\$13,135</u>	<u>\$57,826</u>	<u>\$36,120</u>	<u>\$4,285</u>	<u>\$130,441</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	\$19,075					\$19,075
Special Revenue Funds		\$13,135	\$57,826	\$36,120	\$4,285	111,366
<i>Total Fund Balances</i>	<u>\$19,075</u>	<u>\$13,135</u>	<u>\$57,826</u>	<u>\$36,120</u>	<u>\$4,285</u>	<u>\$130,441</u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	MVL Fund	Gas Tax Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$6,437	\$0	\$0	\$24,082	\$8,180	\$38,699
Intergovernmental	20,574	8,897	77,323	590	189	107,573
Interest	354	184	943	0	0	1,481
Other	0	622	755	0	156	1,533
<i>Total Receipts</i>	<u>27,365</u>	<u>9,703</u>	<u>79,021</u>	<u>24,672</u>	<u>8,525</u>	<u>149,286</u>
Disbursements						
Current:						
General Government	17,965	0	2,000	2,000	8,479	30,444
Public Works	0	3,428	63,516	17,547	0	84,491
Health	3,300	0	0	0	0	3,300
<i>Total Disbursements</i>	<u>21,265</u>	<u>3,428</u>	<u>65,516</u>	<u>19,547</u>	<u>8,479</u>	<u>118,235</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,100</u>	<u>6,275</u>	<u>13,505</u>	<u>5,125</u>	<u>46</u>	<u>31,051</u>
<i>Net Change in Fund Balances</i>	6,100	6,275	13,505	5,125	46	31,051
<i>Fund Balances Beginning of Year</i>	<u>12,975</u>	<u>6,860</u>	<u>44,321</u>	<u>30,995</u>	<u>4,239</u>	<u>99,390</u>
<i>Fund Balances End of Year</i>	<u><u>\$19,075</u></u>	<u><u>\$13,135</u></u>	<u><u>\$57,826</u></u>	<u><u>\$36,120</u></u>	<u><u>\$4,285</u></u>	<u><u>\$130,441</u></u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$5,903	\$5,903	\$6,437	\$534
Intergovernmental	15,450	15,450	20,574	5,124
Interest	234	234	354	120
<i>Total receipts</i>	21,587	21,587	27,365	5,778
Disbursements				
Current:				
General Government	29,692	29,692	17,965	11,727
Health	3,300	3,300	3,300	0
<i>Total Disbursements</i>	32,992	32,992	21,265	11,727
<i>Excess of Receipts Over (Under) Disbursements</i>	(11,405)	(11,405)	6,100	17,505
<i>Net Change in Fund Balance</i>	(11,405)	(11,405)	6,100	17,505
<i>Fund Balance Beginning of Year</i>	12,975	12,975	12,975	0
<i>Fund Balance End of Year</i>	\$1,570	\$1,570	\$19,075	\$17,505

See accompanying notes to the basic financial statements

Winchester Township, Adams County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 MVL Fund
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$9,539	\$9,539	\$8,897	(\$642)
Interest	115	115	184	69
Other	0	0	622	622
<i>Total receipts</i>	<u>9,654</u>	<u>9,654</u>	<u>9,703</u>	<u>49</u>
Disbursements				
Current:				
Public Works	<u>15,000</u>	<u>15,000</u>	<u>3,428</u>	<u>11,572</u>
<i>Total Disbursements</i>	<u>15,000</u>	<u>15,000</u>	<u>3,428</u>	<u>11,572</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,346)</u>	<u>(5,346)</u>	<u>6,275</u>	<u>11,621</u>
<i>Net Change in Fund Balance</i>	(5,346)	(5,346)	6,275	11,621
<i>Fund Balance Beginning of Year</i>	<u>6,860</u>	<u>6,860</u>	<u>6,860</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$1,514</u></u>	<u><u>\$1,514</u></u>	<u><u>\$13,135</u></u>	<u><u>\$11,621</u></u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 Gas Tax Fund
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$54,717	\$54,717	\$77,323	\$22,606
Interest	300	300	943	643
Other	0	0	755	755
<i>Total receipts</i>	<u>55,017</u>	<u>55,017</u>	<u>79,021</u>	<u>24,004</u>
Disbursements				
Current:				
General Government	2,000	2,000	2,000	0
Public Works	94,434	94,434	63,516	30,918
<i>Total Disbursements</i>	<u>96,434</u>	<u>96,434</u>	<u>65,516</u>	<u>30,918</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(41,417)</u>	<u>(41,417)</u>	<u>13,505</u>	<u>54,922</u>
<i>Net Change in Fund Balance</i>	(41,417)	(41,417)	13,505	54,922
<i>Fund Balance Beginning of Year</i>	<u>44,321</u>	<u>44,321</u>	<u>44,321</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,904</u></u>	<u><u>\$2,904</u></u>	<u><u>\$57,826</u></u>	<u><u>\$54,922</u></u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Road & Bridge Fund
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$21,639	\$21,639	\$24,082	\$2,443
Intergovernmental	3,733	3,733	590	(3,143)
<i>Total receipts</i>	<u>25,372</u>	<u>25,372</u>	<u>24,672</u>	<u>(700)</u>
Disbursements				
Current:				
General Government	2,000	2,000	2,000	0
Public Works	47,500	47,500	17,547	29,953
<i>Total Disbursements</i>	<u>49,500</u>	<u>49,500</u>	<u>19,547</u>	<u>29,953</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,128)</u>	<u>(24,128)</u>	<u>5,125</u>	<u>29,953</u>
<i>Net Change in Fund Balance</i>	<u>(24,128)</u>	<u>(24,128)</u>	<u>5,125</u>	<u>29,953</u>
<i>Fund Balance Beginning of Year</i>	<u>30,995</u>	<u>30,995</u>	<u>30,995</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,867</u></u>	<u><u>\$6,867</u></u>	<u><u>\$36,120</u></u>	<u><u>\$29,953</u></u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County

Statement of Net Assets - Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$99,390</u>
<i>Total Assets</i>	<u><u>\$99,390</u></u>
Net Assets	
Restricted for:	
Road & Bridge Maintenance	75,316
Cemetery	4,239
Other Purposes	6,860
Unrestricted	<u>12,975</u>
<i>Total Net Assets</i>	<u><u>\$99,390</u></u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2004*

	Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$22,367	\$0	(\$22,367)
Public Works	62,760	83,114	20,354
Health	14,342	474	(13,868)
<i>Total Governmental Activities</i>	<u>\$99,469</u>	<u>\$83,588</u>	<u>(15,881)</u>
General Receipts			
Property Taxes Levied for:			
General Purposes			7,029
Other Purposes			31,836
Grants and Entitlements not Restricted to Specific Programs			21,422
Interest			234
<i>Total General Receipts</i>			<u>60,521</u>
Change in Net Assets			44,640
<i>Net Assets Beginning of Year</i>			<u>54,750</u>
<i>Net Assets End of Year</i>			<u>\$99,390</u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Gas Tax Fund	Road & Bridge Fund	Cemetery Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$12,975	\$44,321	\$30,995	\$4,239	\$6,860	\$99,390
<i>Total Assets</i>	<u>\$12,975</u>	<u>\$44,321</u>	<u>\$30,995</u>	<u>\$4,239</u>	<u>\$6,860</u>	<u>\$99,390</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	\$12,975					\$12,975
Special Revenue Funds		\$44,321	\$30,995	\$4,239	\$6,860	86,415
<i>Total Fund Balances</i>	<u>\$12,975</u>	<u>\$44,321</u>	<u>\$30,995</u>	<u>\$4,239</u>	<u>\$6,860</u>	<u>\$99,390</u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Gas Tax Fund	Road & Bridge Fund	Cemetery Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$7,029	\$0	\$23,542	\$8,295	\$0	\$38,866
Intergovernmental	22,076	70,903	1,379	77	9,497	103,932
Earnings on Investments	234	560	0	0	115	909
Other	0	0	6	396	0	402
<i>Total Receipts</i>	<u>29,339</u>	<u>71,463</u>	<u>24,927</u>	<u>8,768</u>	<u>9,612</u>	<u>144,109</u>
Disbursements						
Current:						
General Government	22,367	0	0	0	0	22,367
Public Works	0	45,410	9,614	0	7,736	62,760
Health	3,100	0	0	11,242	0	14,342
<i>Total Disbursements</i>	<u>25,467</u>	<u>45,410</u>	<u>9,614</u>	<u>11,242</u>	<u>7,736</u>	<u>99,469</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,872</u>	<u>26,053</u>	<u>15,313</u>	<u>(2,474)</u>	<u>1,876</u>	<u>44,640</u>
<i>Net Change in Fund Balances</i>	3,872	26,053	15,313	(2,474)	1,876	44,640
<i>Fund Balances Beginning of Year</i>	<u>9,103</u>	<u>18,268</u>	<u>15,682</u>	<u>6,713</u>	<u>4,984</u>	<u>54,750</u>
<i>Fund Balances End of Year</i>	<u>\$12,975</u>	<u>\$44,321</u>	<u>\$30,995</u>	<u>\$4,239</u>	<u>\$6,860</u>	<u>\$99,390</u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$5,500	\$5,500	\$8,334	\$2,834
Intergovernmental	15,000	15,000	20,771	5,771
Interest	340	340	234	(106)
<i>Total receipts</i>	20,840	20,840	29,339	8,499
Disbursements				
Current:				
General Government	26,771	26,771	22,367	4,404
Health	3,100	3,100	3,100	0
<i>Total Disbursements</i>	29,871	29,871	25,467	4,404
<i>Excess of Receipts Over (Under) Disbursements</i>	(9,031)	(9,031)	3,872	12,903
<i>Net Change in Fund Balance</i>	(9,031)	(9,031)	3,872	12,903
<i>Fund Balance Beginning of Year</i>	9,103	9,103	9,103	0
<i>Fund Balance End of Year</i>	\$72	\$72	\$12,975	\$12,903

See accompanying notes to the basic financial statements

Winchester Township, Adams County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Gas Tax Fund
 For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$53,165	\$53,165	\$70,903	\$17,738
Interest	250	250	560	310
<i>Total receipts</i>	<u>53,415</u>	<u>53,415</u>	<u>71,463</u>	<u>18,048</u>
Disbursements				
Current:				
Public Works	71,605	71,605	45,410	26,195
<i>Total Disbursements</i>	<u>71,605</u>	<u>71,605</u>	<u>45,410</u>	<u>26,195</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,190)</u>	<u>(18,190)</u>	<u>26,053</u>	<u>44,243</u>
<i>Net Change in Fund Balance</i>	(18,190)	(18,190)	26,053	44,243
<i>Fund Balance Beginning of Year</i>	<u>18,268</u>	<u>18,268</u>	<u>18,268</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$78</u></u>	<u><u>\$78</u></u>	<u><u>\$44,321</u></u>	<u><u>\$44,243</u></u>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Road & Bridge Fund
 For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$19,700	\$19,700	\$23,542	\$3,842
Intergovernmental	2,972	2,972	1,379	(1,593)
Other	0	0	6	6
<i>Total receipts</i>	<i>22,672</i>	<i>22,672</i>	<i>24,927</i>	<i>2,255</i>
Disbursements				
Current:				
Public Works	38,300	38,300	9,614	28,686
<i>Total Disbursements</i>	<i>38,300</i>	<i>38,300</i>	<i>9,614</i>	<i>28,686</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(15,628)</i>	<i>(15,628)</i>	<i>15,313</i>	<i>30,941</i>
<i>Net Change in Fund Balance</i>	<i>(15,628)</i>	<i>(15,628)</i>	<i>15,313</i>	<i>30,941</i>
<i>Fund Balance Beginning of Year</i>	<i>15,682</i>	<i>15,682</i>	<i>15,682</i>	<i>0</i>
<i>Fund Balance End of Year</i>	<i>\$54</i>	<i>\$54</i>	<i>\$30,995</i>	<i>\$30,941</i>

See accompanying notes to the basic financial statements

Winchester Township, Adams County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Cemetery Fund
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Receipts				
Property and Other Local Taxes	\$7,500	\$7,500	\$8,295	\$795
Intergovernmental	856	856	77	(779)
Other	0	0	396	396
<i>Total receipts</i>	<u>8,356</u>	<u>8,356</u>	<u>8,768</u>	<u>412</u>
Disbursements				
Current:				
Health	14,990	14,990	11,242	3,748
<i>Total Disbursements</i>	<u>14,990</u>	<u>14,990</u>	<u>11,242</u>	<u>3,748</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,634)</u>	<u>(6,634)</u>	<u>(2,474)</u>	<u>4,160</u>
<i>Net Change in Fund Balance</i>	(6,634)	(6,634)	(2,474)	4,160
<i>Fund Balance Beginning of Year</i>	<u>6,713</u>	<u>6,713</u>	<u>6,713</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$79</u>	<u>\$79</u>	<u>\$4,239</u>	<u>\$4,160</u>

See accompanying notes to the basic financial statements

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

The Winchester Township, Adams County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with Franklin Township for fire protection.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

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. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle License Tax Fund (2005 Only) – This fund receives motor vehicle tax money to pay for constructing, maintaining and repairing Township roads.

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Road & Bridge Fund – This fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

Cemetery (2004 Only) – This fund receives property tax money for maintaining the cemetery.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Deposits

To improve cash management, cash received by the Township is pooled and deposited. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$354 and during 2004 was \$234.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. Restricted assets represent \$111,366 of a total fund balance of \$130,441 in 2005 and \$86,415 of a total fund balance of \$99,390 in 2004.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004
(Continued)

Note 5 – Deposits and Investments (continued)

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004
(Continued)

Note 5 – Deposits and Investments (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2005, \$34,049 of the Township's bank balance of \$134,049 was exposed to custodial credit risk and at the end of fiscal year end 2004, \$3,185 of the Township's bank balance of \$103,185 was exposed to credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004
(Continued)

Note 7 – Property Taxes

The full tax rate for all Township operations for the years ended December 31, 2005 and 2004, were \$5.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	<u>2005</u>	<u>2004</u>
Real Property		
Residential	\$12,457,400	\$13,662,520
Agriculture	4,975,280	4,506,640
Commercial/Industrial/Mineral	2,043,910	2,311,920
Public Utility Property		
Real	28,560	28,350
Personal	1,759,390	1,762,410
Tangible Personal Property	894,190	931,190
Total Assessed Value	\$22,158,730	\$23,203,030

Note 8 – Risk Management

The Township has obtained commercial insurance for the following risks:

- Auto
- General Liability
- Property
- Inland Marine
- Public Officials Liability

Note 9 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004
(Continued)

Note 9 - Defined Benefit Pension Plans (Continued)

A. Ohio Public Employees Retirement System

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005 and 2004, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$2086.49, \$1821.40, and \$1782.68 respectively. The full amount has been contributed for 2005, 2004, and 2003.

Note 10 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004
(Continued)

Note 10 – Postemployment Benefits (Continued)

A. Ohio Public Employees Retirement System

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual Township contributions for 2005 which were used to fund postemployment benefits were \$615.94. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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Auditor of State Betty Montgomery

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

Winchester Township
Adams County
19311 St. Rt. 136
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the financial statements of Winchester Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated October 31, 2006. We noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated October 31 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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, providing an opinion 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*. In a separate letter to the Township's management dated October 31, 2006, we reported a matter related to noncompliance we deemed immaterial.

Winchester Township
Adams County
Independent Accountants' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Required by Government Auditing Standards.
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for 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

October 31, 2006



**Auditor of State
Betty Montgomery**

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WINCHESTER TOWNSHIP

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 14, 2006**