

WINCHESTER TOWNSHIP
ADAMS COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPAs

725 5TH Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Winchester Township
19311 St. Rt. 136
Winchester, Ohio 45697

We have reviewed the *Independent Auditor's Report* of Winchester Township, Adams County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 25, 2008

This Page is Intentionally Left Blank.

**WINCHESTER TOWNSHIP
ADAMS COUNTY**

TABLE OF CONTENTS

TITLE	Page
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3-8
Financial Statements:	
2007 Government-Wide Financial Statements:	
Statement of Net Assets-Cash Basis (2007)	9
Statement of Activities-Cash Basis (2007).....	10
2007 Fund Financial Statements:	
Statement of Assets and Fund Balances-Cash Basis-Governmental Funds.....	11
Statement of Cash Receipts, Disbursements and Changes in Fund Balances-Cash Basis-Governmental Funds.....	12
Statement of Cash Receipts, Disbursements and Changes in Fund Balance-Budget (Budgetary Basis) and Actual-General Fund	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balance-Budget (Budgetary Basis) and Actual – Motor Vehicle License Tax Fund.....	14
Statement of Cash Receipts, Disbursements and Changes in Fund Balance-Budget (Budgetary Basis) and Actual – Gasoline Tax Fund	15
Statement of Cash Receipts, Disbursements and Changes in Fund Balance-Budget (Budgetary Basis) and Actual – Road & Bridge Fund	16
2006 Government-Wide Financial Statements:	
Statement of Net Assets-Cash Basis (2006)	17
Statement of Activities-Cash Basis (2006).....	18

**WINCHESTER TOWNSHIP
ADAMS COUNTY**

TABLE OF CONTENTS (Continued)

TITLE	Page
2006 Fund Financial Statements:	
Statement of Assets and Fund Balances-Cash Basis-Governmental Funds.....	19
Statement of Cash Receipts, Disbursements and Changes in Fund Balances-Cash Basis-Governmental Funds.....	20
Statement of Cash Receipts, Disbursements and Changes in Fund Balance-Budget (Budgetary Basis) and Actual-General Fund	21
Statement of Cash Receipts, Disbursements and Changes in Fund Balance-Budget (Budgetary Basis) and Actual – Motor Vehicle License Tax Fund	22
Statement of Cash Receipts, Disbursements and Changes in Fund Balance-Budget (Budgetary Basis) and Actual – Gasoline Tax Fund	23
Statement of Cash Receipts, Disbursements and Changes in Fund Balance-Budget (Budgetary Basis) and Actual – Road & Bridge Fund	24
Notes to the Financial Statements.....	25-32
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	33-34
Schedule of Findings and Responses.....	35

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Winchester Township
19311 St. Rt. 136
Winchester, Ohio 45697

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winchester Township (the Township), Adams County, Ohio, as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township'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 opinions.

As discussed in Note 2, the Township has prepared these financial statements and notes, using the cash basis of accounting. 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 cash 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, 2007, and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund, the Gasoline Tax Fund, the Road & Bridge Fund and the Motor Vehicle License Fund, thereof and for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Caudill & Associates, CPAs

Caudill & Associates, CPAs

September 30, 2008

Winchester Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(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, 2007 and 2006, 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 2007 and 2006 are as follows:

In 2007, the Township's net assets increased \$31,664 or 20.45% over 2006. The increase is due to the general nature of receipts exceeding disbursements. In 2006, the Township's net assets increased \$24,403 or 18.70% as compared to 2005. In 2006, the Township's taxes and intergovernmental receipts increased. Public works disbursements decreased due to less road work projects in 2006.

The Township's general receipts are primarily property taxes. During 2007 and 2006 these receipts represented 39% and 36% respectively of the total cash received for governmental activities. Property tax receipts for 2007 and 2006 changed very little compared to 2005 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 \$2,882 or 6% in 2007 over 2006, and increased \$11,006 or 12% in 2006 over 2005. Motor vehicle license tax levied by the township for 2007 and 2006 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.

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.

Winchester Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(Unaudited)

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Motor Vehicle License Fund, Gas Tax Fund, and the Road & Bridge Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Winchester Township
 Adams County
 Management's Discussion and Analysis
 For the Year Ended December 31, 2007 and 2006
 (Unaudited)

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2007, 2006, and 2005 on a cash basis:

(Table 1)
 Net Assets

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$ 186,508	\$ 154,844	\$ 130,441
Total Assets	\$ 186,508	\$ 154,844	\$ 130,441
Net Assets			
Restricted for:			
Road and Bridge Maintenance	\$ 153,273	\$ 130,847	\$ 107,081
Other purposes	8,472	6,303	4,285
Unrestricted	24,763	17,694	19,075
Total Net Assets	\$ 186,508	\$ 154,844	\$ 130,441

As mentioned previously, net assets of governmental activities increased \$ 31,664 or 20% percent during 2007, 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 in 2007 as compared to expenditures.

Winchester Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(Unaudited)

Table 2 reflects the changes in net assets in 2007, 2006 and 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts			
Program Receipts:			
Charges for Services and Sales	\$ -	\$ 210	\$ -
Operating Grants and Contributions	103,974	100,882	90,086
<i>Total Program Receipts</i>	<u>103,974</u>	<u>101,092</u>	<u>90,086</u>
General Receipts:			
Property and Other Local Taxes	41,575	39,163	38,700
Grants and Entitlements Not Restricted to Specific Programs	23,717	17,980	20,147
Miscellaneous	515	-	354
Interest	1,053	1,341	-
<i>Total General Receipts</i>	<u>66,860</u>	<u>58,484</u>	<u>59,201</u>
Total Receipts	<u>170,834</u>	<u>159,576</u>	<u>149,287</u>
Disbursements			
General Government	23,364	28,456	21,965
Public Works	104,596	95,796	84,491
Health	11,210	10,921	11,780
Total Disbursements	<u>139,170</u>	<u>135,173</u>	<u>118,236</u>
Increase (Decrease) in Net Assets	31,664	24,403	31,051
Net Assets, January 1	154,844	130,441	99,390
Net Assets, December 31	<u>\$ 186,508</u>	<u>\$ 154,844</u>	<u>\$ 130,441</u>

In 2007, Program receipts represent 61% percent of total receipts. In 2006, program receipts represent 64% of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

In 2007, General receipts represent 39% percent of the Township's total receipts, and of this amount, 62% percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (38%). Other receipts are very insignificant and somewhat unpredictable revenue sources. In 2006, General receipts represent 36% percent of the Township's total receipts, and of this amount, 67% percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (33%). 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, 2007 and 2006
 (Unaudited)

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 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$ 23,364	\$ (19,260)	\$ 28,456	\$ (22,047)	\$ 21,965	\$ (21,965)
Public Works	104,596	(4,726)	95,796	(1,113)	84,491	5,250
Health	11,210	(11,210)	10,921	(10,921)	11,780	(11,591)
Total Expenses	\$ 139,170	\$ (35,196)	\$ 135,173	\$ (34,081)	\$ 118,236	\$ (28,306)

The Government's Funds

In 2007, total governmental funds had receipts of \$170,834 and disbursements of \$139,170. In 2006, total governmental funds had receipts of \$159,576 and disbursements of \$135,173. The greatest change within governmental funds occurred within the Gas and Road and Bridge Funds. The disbursements increased in these funds as 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. General Fund receipts received in 2007 were \$11,555 greater than was budgeted and were \$8,199 greater in 2006.

In 2007, final disbursements were budgeted at \$33,417 while actual disbursements were \$25,475. In 2006, final disbursements were budgeted at \$37,466 while actual disbursements were \$30,721.

Winchester Township
Adams County
Management's Discussion and Analysis
For the Year Ended December 31, 2007 and 2006
(Unaudited)

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, 2006 through December 31, 2007.

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
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 186,508</u>
<u>Net Assets:</u>	
Restricted for Other Purposes	
Road and Bridge Maintenance	\$ 153,273
Other purposes	8,472
Unrestricted	<u>24,763</u>
<i>Total Net Assets</i>	<u>\$ 186,508</u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>		
General Government	\$ 23,364	\$ (19,260)
Public Works	104,596	(4,726)
Health Services	11,210	(11,210)
<i>Total Governmental Activities</i>	139,170	(35,196)
General Receipts		
Property and Other Taxes Levied for:		
General Purposes		6,959
Cemetery		8,853
Road & Bridge		25,763
Grants and Entitlements not		
Restricted to Specific Programs		23,717
Miscellaneous		515
Interest		1,053
<i>Total General Receipts</i>		66,860
Change in Net Assets		31,664
<i>Net Assets Beginning of Year</i>		154,844
<i>Net Assets End of Year</i>		\$ 186,508

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Motor Vehicle License Tax</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	<u>\$24,763</u>	<u>\$27,594</u>	<u>\$94,470</u>	<u>\$31,209</u>	<u>\$8,472</u>	<u>\$186,508</u>
<u>Fund Balances:</u>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	24,763	-	-	-	-	24,763
Special Revenue Funds	-	27,594	94,470	31,209	8,472	161,745
Total Fund Balances	<u><u>\$24,763</u></u>	<u><u>\$27,594</u></u>	<u><u>\$94,470</u></u>	<u><u>\$31,209</u></u>	<u><u>\$8,472</u></u>	<u><u>\$186,508</u></u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>						
Property Taxes	\$6,959	\$ -	\$ -	\$25,763	\$8,853	\$41,575
Intergovernmental	25,411	8,998	90,871	1,772	639	127,691
Interest	175	201	677	-	-	1,053
Other	-	-	515	-	-	515
Total Receipts	32,545	9,199	92,063	27,535	9,492	170,834
<u>Disbursements:</u>						
Current:						
General Government	21,588	-	1,776	-	-	23,364
Public Works	-	2,231	70,372	31,993	-	104,596
Health	3,888	-	-	-	7,322	11,210
Total Disbursements	25,476	2,231	72,148	31,993	7,322	139,170
Net Change in Fund Balances	7,069	6,968	19,915	(4,458)	2,170	31,664
Fund Balances (Deficit) Beginning of Year	17,694	20,626	74,555	35,667	6,302	154,844
Fund Balances (Deficit) End of Year	<u>\$24,763</u>	<u>\$27,594</u>	<u>\$94,470</u>	<u>\$31,209</u>	<u>\$8,472</u>	<u>\$186,508</u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property Taxes	\$6,700	\$6,700	\$6,959	\$259
Intergovernmental	14,090	14,090	25,411	11,321
Interest	200	200	175	(25)
<i>Total Receipts</i>	<u>20,990</u>	<u>20,990</u>	<u>32,545</u>	<u>11,555</u>
<u>Disbursements:</u>				
Current:				
General Government	29,417	29,417	21,588	7,829
Health	4,000	4,000	3,888	112
<i>Total Disbursements</i>	<u>33,417</u>	<u>33,417</u>	<u>25,476</u>	<u>7,941</u>
Net Change in Fund Balance	(12,427)	(12,427)	7,069	19,496
Fund Balances (Deficit) Beginning of Year	<u>17,694</u>	<u>17,694</u>	<u>17,694</u>	<u>-</u>
Fund Balances (Deficit) End of Year	<u>\$5,267</u>	<u>\$5,267</u>	<u>\$24,763</u>	<u>\$19,496</u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Intergovernmental	\$9,140	\$9,140	\$8,998	(\$142)
Interest	200	200	201	1
<i>Total Receipts</i>	<u>9,340</u>	<u>9,340</u>	<u>9,199</u>	<u>(141)</u>
<u>Disbursements:</u>				
Current:				
Public Works	21,250	21,250	2,231	19,019
<i>Total Disbursements</i>	<u>21,250</u>	<u>21,250</u>	<u>2,231</u>	<u>19,019</u>
Net Change in Fund Balance	(11,910)	(11,910)	6,968	18,878
Fund Balance Beginning of Year	<u>20,625</u>	<u>20,625</u>	<u>20,626</u>	<u>1</u>
Fund Balance (Deficit) End of Year	<u><u>\$8,715</u></u>	<u><u>\$8,715</u></u>	<u><u>\$27,594</u></u>	<u><u>\$18,879</u></u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Intergovernmental	\$57,767	\$57,767	\$90,871	\$33,104
Interest	600	600	677	77
Other	-	-	515	515
<i>Total Receipts</i>	<u>58,367</u>	<u>58,367</u>	<u>92,063</u>	<u>33,696</u>
<u>Disbursements:</u>				
Current:				
General Government	3,000	3,000	1,776	1,224
Public Works	117,420	117,420	70,372	47,048
<i>Total Disbursements</i>	<u>120,420</u>	<u>120,420</u>	<u>72,148</u>	<u>48,272</u>
Net Change in Fund Balance	(62,053)	(62,053)	19,915	81,968
Fund Balances Beginning of Year	<u>74,555</u>	<u>74,555</u>	<u>74,555</u>	<u>-</u>
Fund Balance End of Year	<u>\$12,502</u>	<u>\$12,502</u>	<u>\$94,470</u>	<u>\$81,968</u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property Taxes	\$23,220	\$23,220	\$25,763	\$2,543
Intergovernmental	5,014	5,014	1,772	(3,242)
<i>Total Receipts</i>	<u>28,234</u>	<u>28,234</u>	<u>27,535</u>	<u>(699)</u>
<u>Disbursements:</u>				
Current:				
General Government	2,000	2,000	-	2,000
Public Works	56,000	56,000	31,993	24,007
<i>Total Disbursements</i>	<u>58,000</u>	<u>58,000</u>	<u>31,993</u>	<u>26,007</u>
Net Change in Fund Balance	(29,766)	(29,766)	(4,458)	25,308
Fund Balance Beginning of Year	<u>35,667</u>	<u>35,667</u>	<u>35,667</u>	<u>-</u>
Fund Balance End of Year	<u><u>\$5,901</u></u>	<u><u>\$5,901</u></u>	<u><u>\$31,209</u></u>	<u><u>\$25,308</u></u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$ 154,844
 <u>Net Assets:</u>	
a	
Road and Bridge Maintenance	\$ 130,847
Other Maintenance	6,303
Unrestricted	17,694
<i>Total Net Assets</i>	\$ 154,844

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<u>Governmental Activities:</u>				
General Government	\$ 28,456	\$ 210	\$ 6,199	\$ (22,047)
Public Works	95,796	-	94,683	(1,113)
Health Services	10,921	-	-	(10,921)
<i>Total Governmental Activities</i>	135,173	210	100,882	(34,081)
General Receipts				
Property and Other Taxes Levied for:				
General Purposes			6,724	
Cemetery			8,498	
Road & Bridge			23,941	
Grants and Entitlements not				
Restricted to Specific Programs			17,980	
Interest			1,341	
<i>Total General Receipts</i>			58,484	
Change in Net Assets			24,403	
<i>Net Assets Beginning of Year</i>			130,441	
<i>Net Assets End of Year</i>			\$ 154,844	

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>						
Equity in Pooled Cash and Cash Equivalents	\$17,694	\$20,626	\$74,555	\$35,667	\$6,302	\$154,844
<u>Fund Balances:</u>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	17,694	-	-	-	-	17,694
Special Revenue Funds	-	20,626	74,555	35,667	6,302	137,150
Total Fund Balances	\$17,694	\$20,626	\$74,555	\$35,667	\$6,302	\$154,844

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Motor Vehicle License Tax	Gasoline Tax	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>						
Property Taxes	\$6,724	\$ -	\$ -	\$23,941	\$8,498	\$39,163
Charges for Services	210	-	-	-	-	210
Intergovernmental	22,124	9,139	85,557	1,402	640	118,862
Interest	282	209	850	-	-	1,341
Total Receipts	29,340	9,348	86,407	25,343	9,138	159,576
<u>Disbursements:</u>						
Current:						
General Government	26,921	-	1,535	-	-	28,456
Public Works	-	1,857	68,143	25,796	-	95,796
Health	3,800	-	-	-	7,121	10,921
Total Disbursements	30,721	1,857	69,678	25,796	7,121	135,173
Net Change in Fund Balances	(1,381)	7,491	16,729	(453)	2,017	24,403
Fund Balances (Deficit) Beginning of Year	19,075	13,135	57,826	36,120	4,285	130,441
Fund Balances (Deficit) End of Year	<u>\$17,694</u>	<u>\$20,626</u>	<u>\$74,555</u>	<u>\$35,667</u>	<u>\$6,302</u>	<u>\$154,844</u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$6,268	\$6,268	\$6,724	\$456
Charges for Services	-	-	210	210
Intergovernmental	14,673	14,673	22,124	7,451
Interest	200	200	282	82
<i>Total Receipts</i>	<u>21,141</u>	<u>21,141</u>	<u>29,340</u>	<u>8,199</u>
<u>Disbursements:</u>				
Current:				
General Government	34,066	33,666	26,921	6,745
Health	3,300	3,800	3,800	-
Capital Outlay	100	-	-	-
<i>Total Disbursements</i>	<u>37,466</u>	<u>37,466</u>	<u>30,721</u>	<u>6,745</u>
Net Change in Fund Balance	(16,325)	(16,325)	(1,381)	14,944
Fund Balances (Deficit) Beginning of Year	<u>19,075</u>	<u>19,075</u>	<u>19,075</u>	<u>-</u>
Fund Balances (Deficit) End of Year	<u><u>\$2,750</u></u>	<u><u>\$2,750</u></u>	<u><u>\$17,694</u></u>	<u><u>\$14,944</u></u>

See Accompanying Notes to the Basic Financial Statements

Winchester Township
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Intergovernmental	\$9,763	\$9,763	\$9,139	(\$624)
Interest	180	180	209	29
<i>Total Receipts</i>	<u>9,943</u>	<u>9,943</u>	<u>9,348</u>	<u>(595)</u>
<u>Disbursements:</u>				
Current:				
Public Works	20,500	20,500	1,857	18,643
<i>Total Disbursements</i>	<u>20,500</u>	<u>20,500</u>	<u>1,857</u>	<u>18,643</u>
Net Change in Fund Balance	(10,557)	(10,557)	7,491	18,048
Fund Balance Beginning of Year	<u>13,135</u>	<u>13,135</u>	<u>13,135</u>	<u>-</u>
Fund Balance (Deficit) End of Year	<u>\$2,578</u>	<u>\$2,578</u>	<u>\$ 20,626</u>	<u>\$18,048</u>

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	<i>Variance Positive (Negative)</i>
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$55,967	\$55,967	\$85,557	\$29,590
Interest	500	500	850	350
Other	200	200	-	(200)
<i>Total Receipts</i>	56,667	56,667	86,407	29,740
<u>Disbursements:</u>				
Current:				
General Government	2,500	2,500	1,535	965
Public Works	97,876	97,876	68,143	29,733
<i>Total Disbursements</i>	100,376	100,376	69,678	30,698
Net Change in Fund Balance	(43,709)	(43,709)	16,729	60,438
Fund Balances Beginning of Year	57,826	57,826	57,826	-
Fund Balance End of Year	\$14,117	\$14,117	\$74,555	\$60,438

See Accompanying Notes to the Financial Statements

Winchester Township
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<i>Variance Positive (Negative)</i>
	<u>Original</u>	<u>Final</u>		
<u>Receipts:</u>				
Property Taxes	\$22,845	\$22,845	\$23,941	\$1,096
Intergovernmental	6,000	6,000	1,402	(4,598)
<i>Total Receipts</i>	<u>28,845</u>	<u>28,845</u>	<u>25,343</u>	<u>(3,502)</u>
<u>Disbursements:</u>				
Current:				
General Government	2,000	2,000	-	2,000
Public Works	51,500	51,500	25,796	25,704
<i>Total Disbursements</i>	<u>53,500</u>	<u>53,500</u>	<u>25,796</u>	<u>27,704</u>
Net Change in Fund Balance	(24,655)	(24,655)	(453)	24,202
Fund Balance Beginning of Year	<u>36,120</u>	<u>36,120</u>	<u>36,120</u>	<u>-</u>
Fund Balance End of Year	<u><u>\$11,465</u></u>	<u><u>\$11,465</u></u>	<u><u>\$35,667</u></u>	<u><u>\$24,202</u></u>

See Accompanying Notes to the Financial Statements

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

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 Fiscal Officer.

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 non-exchange 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.

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.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

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. Non-major 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 non-exchange 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 – 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.

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

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.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

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 during 2007 and 2006 were \$1,053 and \$1,341 respectively, which includes \$175 and \$282, respectively credited to the General fund: and \$878 and \$1,059, respectively, credited to other governmental funds.

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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

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 \$161,745 of a total fund balance of \$186,508 in 2007 and \$137,150 of a total fund balance of \$154,844 in 2006.

Note 3 – 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 4 – 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 be withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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;

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)

Note 4 – Deposits and Investments (Continued)

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.

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 2007, \$90,856 of the Township's bank balance of \$190,856 was exposed to custodial credit risk and at the end of fiscal year end 2006, \$62,617 of the Township's bank balance of \$162,617 was exposed to custodial 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 5 – 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, 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.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)

Note 5 – Property Taxes (continued)

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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.

The full tax rate for all Township operations for the years ended December 31, 2007 and 2006 were \$5.70 per 1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 and 2006 property tax receipts were based are as follows:

	<u>2007</u>	<u>2006</u>
Real Property:		
Agricultural / Residential	\$ 19,475,980	\$ 18,941,900
Commercial/Industrial/Mineral	2,388,390	2,385,180
Tangible Personal Property:		
General	737,110	786,000
Public Utility Real	1,673,110	1,803,300
Total Assessed Value	\$ 24,274,590	\$ 23,916,380

Note 6 – Risk Management

The Township has obtained commercial insurance for the following risks:

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

Note 7 - 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.

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.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)

Note 7 - Defined Benefit Pension Plans (continued)

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, 2007 and 2006, the members of all three plans were required to contribute 9.5 percent and 9 percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 and 2006 was 13.85 percent and 13.7 percent, respectively. 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, 2007, 2006, and 2005 were \$7,256, \$7,030, and \$ 2,086.49, respectively. The full amount has been contributed for 2007, 2006, and 2005.

Note 8 – 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 2007 and 2006 local government employer contribution rate was 13.85 percent and 13.7 percent, respectively, of covered payroll; 4.5 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, 2006, include a rate of return on investments of 6.5 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 0.5 to 5 percent annually for the next eight years and 4 percent annually after eight years.

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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 374,979 and 362,130 for 2007 and 2006, respectively. Actual Township contributions for 2007 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, 2006, (the latest information available) was \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

Winchester Township
Adams County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006
(Continued)

Note 8 – Postemployment Benefits (continued)

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, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 9 – Compliance

Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not properly certify the availability of funds prior to obligation for 18% of the purchases tested in 2007 and 8% of the purchases tested in 2006.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Winchester Township (the Township), Adams County, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's financial statements, and have issued our report thereon dated September 30, 2008, wherein we noted the Township uses cash-basis accounting, a basis of accounting other than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. The results of our tests disclosed no instances of significant internal control deficiencies that are required to be reported under *Government Auditing Standards*.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The results of our tests disclosed no significant deficiencies that are also considered to be material weaknesses that are required to be reported under *Government Auditing Standards*.

Winchester Township

Adams County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item 2007-001.

We noted a certain matter that we reported to the Township's management in a separate letter dated September 30, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings Responses. We did not audit the Township's responses and, accordingly, we express no opinion in them.

This report is intended for the information and use of management, and the Township's trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

September 30, 2008

WINCHESTER TOWNSHIP
ADAMS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D) (1)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D) (1):

Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due.

The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Contrary to this requirement, the Township did not properly certify the availability of funds prior to obligation for 18% of the purchases tested in 2007 and 8% of the purchases tested in 2006.

We recommend the Township implement policies to ensure that all purchases first have monies certified by the Clerk Treasurer before purchasing or ordering an item. We also recommend the use of a “then and now” certificate in instances of emergency or absence of proper authority.

Township Response:

Township officials will monitor the proper certifying of expenditures more closely.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 11, 2008**