



**VILLAGE OF GREENWICH
HURON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



**Auditor of State
Betty Montgomery**

VILLAGE OF GREENWICH
HURON COUNTY

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**Auditor of State
Betty Montgomery**

Village of Greenwich
Huron County
45 Main Street
Greenwich, Ohio 44837-1145

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 27, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Greenwich
Huron County
45 Main Street
Greenwich, Ohio 44837-1145

To the Village Council:

We have audited the accompanying financial statements of the Village of Greenwich, Huron County, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Village 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 Village 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004.

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While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Greenwich, Huron County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



Betty Montgomery
Auditor of State

November 27, 2006

**VILLAGE OF GREENWICH
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$139,763	\$12,957		\$152,720
State Shared Taxes and Permits		194,903		194,903
Special Assessments		64,055		64,055
Intergovernmental Receipts	128,668	27,686	\$52,428	208,782
Charges for Services		1,830		1,830
Fines, Licenses, and Permits	28,124	429		28,553
Earnings on Investments	28,903	4,226		33,129
Miscellaneous	18,743	400		19,143
	<u>344,201</u>	<u>306,486</u>	<u>52,428</u>	<u>703,115</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	287,960			287,960
Public Health Services	44,450	2,540		46,990
Leisure Time Activities	14,948	4,607		19,555
Transportation		63,987		63,987
General Government	184,591	20,354		204,945
Capital Outlay	84,808	31,191	52,428	168,427
	<u>616,757</u>	<u>122,679</u>	<u>52,428</u>	<u>791,864</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(272,556)</u>	<u>183,807</u>		<u>(88,749)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	119,648	39,883		159,531
Transfers-Out		(159,531)	(123,730)	(283,261)
Other Financing Uses	(33)	(4,900)		(4,933)
	<u>119,615</u>	<u>(124,548)</u>	<u>(123,730)</u>	<u>(128,663)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(152,941)	59,259	(123,730)	(217,412)
Fund Cash Balances, January 1	<u>895,873</u>	<u>350,084</u>	<u>123,730</u>	<u>1,369,687</u>
Fund Cash Balances, December 31	<u>\$742,932</u>	<u>\$409,343</u>		<u>\$1,152,275</u>
Reserves for Encumbrances, December 31	<u>\$666</u>	<u>\$202</u>		<u>\$868</u>

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

**VILLAGE OF GREENWICH
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,141,424
Operating Cash Disbursements:	
Personal Services	165,582
Fringe Benefits	38,418
Contractual Services	714,874
Supplies and Materials	117,738
Total Operating Cash Disbursements	1,036,612
Operating Income	104,812
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	2,969
Non-Operating Cash Disbursements:	
Debt Service	37,116
Excess of Receipts Over Disbursements Before Interfund Transfers	70,665
Transfers-In	123,730
Net Receipts Over Disbursements	194,395
Fund Cash Balances, January 1	965,194
Fund Cash Balances, December 31	\$1,159,589
Reserve for Encumbrances, December 31	\$15,158

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

**VILLAGE OF GREENWICH
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$141,830	\$191,196		\$333,026
Intergovernmental Receipts	143,613	57,075	\$168,463	369,151
Charges for Services		1,550	79,540	81,090
Fines, Licenses, and Permits	25,888	340		26,228
Earnings on Investments	27,402	3,516		30,918
Miscellaneous	7,449	300		7,749
	<u>346,182</u>	<u>253,977</u>	<u>248,003</u>	<u>848,162</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	279,739			279,739
Public Health Services	46,252	5,589		51,841
Leisure Time Activities		9,871		9,871
Transportation		63,569		63,569
General Government	129,941	12,690		142,631
Debt Service:				
Principal Payments			13,595	13,595
Capital Outlay	61,901	8,088	182,007	251,996
	<u>517,833</u>	<u>99,807</u>	<u>195,602</u>	<u>813,242</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(171,651)</u>	<u>154,170</u>	<u>52,401</u>	<u>34,920</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	123,744	41,248		164,992
Transfers-Out		(164,992)		(164,992)
Other Financing Uses		(2,400)		(2,400)
	<u>123,744</u>	<u>(126,144)</u>		<u>(2,400)</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(47,907)	28,026	52,401	32,520
Fund Cash Balances, January 1	943,780	322,058	71,329	1,337,167
Fund Cash Balances, December 31	<u><u>\$895,873</u></u>	<u><u>\$350,084</u></u>	<u><u>\$123,730</u></u>	<u><u>\$1,369,687</u></u>
Reserves for Encumbrances, December 31	<u>\$6,939</u>	<u>\$6,471</u>		<u>\$13,410</u>

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

**VILLAGE OF GREENWICH
HURON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,053,440
Operating Cash Disbursements:	
Personal Services	156,756
Fringe Benefits	60,508
Contractual Services	491,842
Supplies and Materials	230,294
Capital Outlay	61,482
Total Operating Cash Disbursements	1,000,882
Operating Income	52,558
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	25,904
Non-Operating Cash Disbursements:	
Debt Service	23,530
Net Receipts Over Disbursements	54,932
Fund Cash Balances, January 1	910,262
Fund Cash Balances, December 31	\$965,194
Reserve for Encumbrances, December 31	\$10,876

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

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Greenwich, Huron County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with North Central EMS to provide ambulance services and Tri-Community Fire District to provide fire protection services.

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

B. Basis of Accounting

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

These statements adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Income Tax Fund -This fund receives revenue from an income tax levied by the Village. The fund accounts for the expenses of the Income Tax Department. The net proceeds are transferred to the General Fund (75 percent) and the Street Construction Fund (25 percent).

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Fund - This fund receives monies from Ohio Public Works Commission. The proceeds are being used to construct a new water line improvement.

4. Enterprise Funds

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

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

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

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$1,211,864	\$1,234,881
Certificates of deposit	1,100,000	1,100,000
Total deposits	<u>2,311,864</u>	<u>2,334,881</u>

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$453,326	\$463,849	\$10,523
Special Revenue	289,037	346,369	57,332
Capital Projects	52,428	52,428	
Enterprise	1,124,000	1,268,123	144,123
Total	\$1,918,791	\$2,130,769	\$211,978

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,327,434	\$617,456	\$709,978
Special Revenue	635,971	287,312	348,659
Capital Projects	254,428	176,158	78,270
Enterprise	1,997,276	1,088,886	908,390
Total	\$4,215,109	\$2,169,812	\$2,045,297

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$553,127	\$469,926	(\$83,201)
Special Revenue	331,383	295,225	(36,158)
Capital Projects	332,419	248,003	(84,416)
Enterprise	900,374	1,079,344	178,970
Total	\$2,117,303	\$2,092,498	(\$24,805)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$995,866	\$524,772	\$471,094
Special Revenue	508,584	273,670	234,914
Capital Projects	408,886	195,602	213,284
Enterprise	1,753,166	1,035,288	717,878
Total	\$3,666,502	\$2,029,332	\$1,637,170

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

4. PROPERTY TAX

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

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2005, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 290,296	3.49%
Ohio Public Works Commission Loan	137,809	
Ohio Public Works Commission Loan	73,376	
Ohio Public Works Commission Loan	73,293	
Total	<u>\$ 574,774</u>	

The Ohio Water Development Authority (OWDA) loan relates to construction of a water tower. The loan will be repaid in semiannual installments of \$11,281.67, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) zero interest loans relate to a sanitary collector line replacement, a storm sewer separation and Alpha Road water line improvement. The loans will be repaid in semiannual installments of \$3,749.98, \$3,047.43 and \$1,928.78 over 20 years. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT – (Continued)

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

Year ending December 31:	OWDA Loan	OPWC Loan	OPWC Loan	OPWC Loan
2006	\$ 22,564	\$ 7,500	\$ 6,095	3,858
2007	22,564	7,500	6,095	3,858
2008	22,564	7,500	6,095	3,858
2009	22,564	7,500	6,095	3,858
2010	22,564	7,500	6,095	3,858
2011-2015	112,820	37,500	30,475	19,290
2016-2020	112,820	37,500	12,426	19,290
2021-2025	11,282	25,309		15,423
Total	<u>\$ 349,742</u>	<u>\$ 137,809</u>	<u>\$ 73,376</u>	<u>\$ 73,293</u>

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

8. RISK MANAGEMENT

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

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

VILLAGE OF GREENWICH
HURON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

8. RISK MANAGEMENT – (Continued)

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. RISK MANAGEMENT – (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Village's share of these unpaid claims is approximately \$37,131 and \$32,460 as of December 31, 2005 and 2004.

9. RELATED PARTY TRANSACTIONS

One Village Council member is owner of a company from which the Village paid to perform repairs on vehicles during the year. The Village paid \$530 for this service during 2005 and \$3,662 during 2004. Another Village Council member is owner of a company from which the Village paid for computer supplies and repairs. The Village paid \$834 for this service during 2005 and \$1,135 during 2004.



**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***

Village of Greenwich
Huron County
45 Main Street
Greenwich, Ohio 44837-1145

To the Village Council:

We have audited the financial statements of the Village of Greenwich, Huron County (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 27, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village 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 Village 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 Village'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated November 27, 2006, we reported a matter involving internal control over financial reporting which we did not deem a reportable condition.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Village's management dated November 27, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 27, 2006

**VILLAGE OF GREENWICH
HURON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Noncompliance Citation

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

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

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

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

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

The Village Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for 79 percent of expenditures during the audit period. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-001
(Continued)**

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

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2005-002

Reportable Condition

Policies and Job Descriptions

The Village has not created policies or job descriptions to guide employees in the proper conduct of business desired by Council and in the performance of their duties. This could result in employees not being aware of restrictions on using village equipment for personal purposes or other unethical behavior by employees with no recourse for Council.

Elected officials and management should convey the message that integrity and ethical values with the organization cannot be compromised and employees must receive and understand that message. Elected officials and management should continually demonstrate, through words and actions, a commitment to high ethical standards and proper working practices. Establishing the "tone at the top" -- including explicit moral guidance about what is right and wrong -- and extent of communicating it throughout the entity. Management must also specify the level of competence needed for particular jobs, and translate the desired levels of competence into requisite knowledge and skills.

Integrity and ethical values are most effectively conveyed through the existence of codes of conduct and other policies regarding acceptable practices, conflicts of interest, or expected standards of ethical and moral behavior, and their communication throughout the organization. Usually, these codes are very comprehensive, addressing conflicts of interest, illegal or other improper payments, and are consistent with the Ohio Revised Code, charters, federal regulations or other sources of compliance. Codes should be periodically acknowledged (e.g., confirmed in writing annually) by all relevant employees.

We recommend the Village elected officials and management establish policies for acceptable practices etc. Management should also establish formal or informal job descriptions or other means of defining tasks that comprise particular jobs.

**VILLAGE OF GREENWICH
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	ORC 5727.82 (A) (3) required kilowatt hour tax to be paid to the general fund of the Village.	Yes	



**Auditor of State
Betty Montgomery**

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VILLAGE OF GREENWICH

HURON 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 19, 2006**