



**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF GREEN SPRINGS
SENECA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Green Springs
Seneca County
120 Catherine Street, P. O. Box 536
Green Springs, Ohio 44836-0536

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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 16, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Green Springs
Seneca County
120 Catherine Street, P. O. Box 536
Green Springs, Ohio 44836-0536

To the Village Council:

We have audited the accompanying financial statements of the Village of Green Springs, Seneca County, (the Village) as of and for the years ended December 31, 2006 and 2005. 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 in note 2, in accordance with the requirements of Governmental Accounting Standards Board Statement Number 34, the Village's Trust funds have been reclassified.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or cash flows, where applicable 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 Green Springs, Seneca County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 May 16, 2007, 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.



Mary Taylor, CPA
Auditor of State

May 16, 2007

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$47,845	\$36,800			\$84,645
Municipal Income Tax	238,430				238,430
Intergovernmental Receipts	94,604	78,612			173,216
Charges for Services	6,007				6,007
Fines, Licenses, and Permits	953				953
Earnings on Investments	12,667	2,061		\$2	14,730
Miscellaneous	20,729	442			21,171
	<u>421,236</u>	<u>117,915</u>		<u>2</u>	<u>539,153</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	48,234	106,193			154,427
Public Health Services	13,194				13,194
Leisure Time Activities	12,354				12,354
Community Environment	928				928
Transportation	58,917	58,241			117,158
General Government	96,517				96,517
Capital Outlay	26,203	17,573			43,776
	<u>256,348</u>	<u>182,007</u>			<u>438,356</u>
Total Receipts Over/(Under) Disbursements	<u>164,888</u>	<u>(64,093)</u>		<u>2</u>	<u>100,797</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	6,500	80,000			86,500
Transfers-Out	<u>(80,000)</u>				<u>(80,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(73,500)</u>	<u>80,000</u>			<u>6,500</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	91,388	15,907		2	107,297
Fund Cash Balances, January 1	<u>348,267</u>	<u>145,748</u>	<u>\$89,243</u>	<u>6,741</u>	<u>589,999</u>
Fund Cash Balances, December 31	<u>\$439,655</u>	<u>\$161,655</u>	<u>\$89,243</u>	<u>\$6,743</u>	<u>\$697,296</u>
Reserves for Encumbrances, December 31	<u>\$8,645</u>	<u>\$1,976</u>			<u>\$10,621</u>

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Types	Fiduciary Fund	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$579,238		\$579,238
Fines, Licenses and Permits		\$2,742	2,742
Total Operating Cash Receipts	579,238	2,742	581,980
Operating Cash Disbursements:			
Personal Services	71,032		71,032
Fringe Benefits	25,853		25,853
Contractual Services	279,630		279,630
Supplies and Materials	56,446		56,446
Capital Outlay	16,022		16,022
Other	447		447
Total Operating Cash Disbursements	449,430		449,430
Operating Income	129,808	2,742	132,550
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	8,871	473	9,344
Non-Operating Cash Disbursements:			
Debt Service	24,641		24,641
Other Non-Operating Cash Disbursements	14,163		14,163
Total Non-Operating Cash Disbursements	38,804		38,804
Excess of Receipts Over Disbursements Before Interfund Transfers	99,875	3,215	103,090
Transfers-Out		(6,500)	(6,500)
Net Receipts Over/(Under) Disbursements	99,875	(3,285)	96,590
Fund Cash Balances, January 1	400,221	4,316	404,537
Fund Cash Balances, December 31	\$500,096	\$1,031	\$501,127
Reserve for Encumbrances, December 31	\$16,542		\$16,542

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

**VILLAGE OF GREEN SPRINGS
SENECA 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>	<u>Permanent</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$45,962	\$43,852			\$89,815
State Shared Taxes and Permits	235,572				235,572
Intergovernmental Receipts	131,415	80,346			211,761
Charges for Services	4,121				4,121
Fines, Licenses, and Permits	590				590
Earnings on Investments	4,684	1,613		\$1	6,297
Miscellaneous	12,447				12,447
	<u>434,790</u>	<u>125,812</u>		<u>1</u>	<u>560,603</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	46,714	97,110			143,824
Public Health Services	11,033				11,033
Leisure Time Activities	19,740				19,740
Community Environment	528				528
Transportation	43,455	57,904			101,359
General Government	102,851				102,851
Capital Outlay	58,573	12,657	\$757		71,987
	<u>282,894</u>	<u>167,671</u>	<u>757</u>		<u>451,323</u>
Total Receipts Over/(Under) Disbursements	<u>151,896</u>	<u>(41,860)</u>	<u>(757)</u>	<u>1</u>	<u>109,280</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		80,885			80,885
Advances-In	(80,000)	(885)			(80,885)
	<u>(80,000)</u>	<u>80,000</u>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	71,896	38,140	(757)	1	109,280
Fund Cash Balances, January 1	<u>276,371</u>	<u>107,608</u>	<u>90,000</u>	<u>6,740</u>	<u>480,719</u>
Fund Cash Balances, December 31	<u>\$348,267</u>	<u>\$145,748</u>	<u>\$89,243</u>	<u>\$6,741</u>	<u>\$589,999</u>
Reserves for Encumbrances, December 31	<u>\$6,021</u>	<u>\$1,278</u>			<u>\$7,299</u>

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

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

	Proprietary Fund Types	Fiduciary Fund	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$613,146		\$613,146
Fines, Licences and Permits		\$1,529	1,529
Total Operating Cash Receipts	<u>613,146</u>	<u>1,529</u>	<u>614,675</u>
Operating Cash Disbursements:			
Personal Services	72,431		72,431
Fringe Benefits	27,133		27,133
Contractual Services	280,783		280,783
Supplies and Materials	41,614		41,614
Capital Outlay	141,459		141,459
Total Operating Cash Disbursements	<u>563,420</u>		<u>563,420</u>
Operating Income	<u>49,726</u>	<u>1,529</u>	<u>51,255</u>
Non-Operating Cash Receipts:			
Proceeds from Loan	<u>107,282</u>		<u>107,282</u>
Non-Operating Cash Disbursements:			
Debt Service	22,882		22,882
Interest and Other Fiscal Charges	15,981		15,981
Other Non-Operating Cash Disbursements	710		710
Total Non-Operating Cash Disbursements	<u>39,573</u>		<u>39,573</u>
Excess of Receipts Over Disbursements	117,434	1,529	118,963
Fund Cash Balances, January 1	<u>282,787</u>	<u>2,787</u>	<u>285,574</u>
Fund Cash Balances, December 31	<u>\$400,221</u>	<u>\$4,316</u>	<u>\$404,537</u>
Reserve for Encumbrances, December 31	<u>\$24,780</u>		<u>\$24,780</u>

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Green Springs, Seneca County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records 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 that is 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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.

Police Operating Fund – This fund receives property tax revenues for operating the police department.

3. Capital Project Fund

This fund accounts 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:

Capital Improvement Fund – This fund receives proceeds from the Ohio Public Works Commission(OPWC) and the Ohio Water Development Authority (OWDA) for construction of an elevated storage tank replacement.

4. Permanent Funds

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

5. 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.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for mayor's court activity.

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

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.

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. RECLASSIFICATION OF FUND BALANCE

Pursuant to Governmental Accounting Standards Board Statement Number 34, the Village has reclassified its expendable and nonexpendable trust funds, to special revenue and permanent funds, respectively for 2005. The effect on fund balances is as follows:

	Special Revenue	Expendable Trust	Nonexpendable Trust	Permanent
Fund Balances as reported at December 31, 2004	\$65,341	\$42,267	\$6,740	
Reclassification of Fund Balances	<u>42,267</u>	<u>(\$42,267)</u>	<u>(\$6,740)</u>	<u>\$6,740</u>
Restated Fund Balances at January 1, 2005	<u><u>\$107,608</u></u>			<u><u>\$6,740</u></u>

3. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$787,171	\$776,522
Certificates of deposit	<u>411,252</u>	<u>218,014</u>
Total deposits	<u><u>\$ 1,198,423</u></u>	<u><u>\$ 994,536</u></u>

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$355,594	\$427,736	\$72,142
Special Revenue	205,702	197,915	(7,787)
Enterprise	613,037	588,109	(24,928)
Permanent	11	2	(9)
Total	<u><u>\$1,174,344</u></u>	<u><u>\$1,213,762</u></u>	<u><u>\$39,418</u></u>

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$483,241	\$344,993	\$138,248
Special Revenue	201,243	183,983	17,260
Enterprise	625,137	504,776	120,361
Total	\$1,309,621	\$1,033,752	\$275,869

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$455,950	\$434,790	(\$21,160)
Special Revenue	220,338	206,697	(13,641)
Enterprise	613,200	720,428	107,228
Permanent	12	1	(11)
Total	\$1,289,500	\$1,361,916	\$72,416

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$523,599	\$368,915	\$154,684
Special Revenue	198,599	169,834	28,765
Capital Projects	13,482	757	12,725
Enterprise	654,464	627,773	26,691
Total	\$1,390,144	\$1,167,279	\$222,865

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Operating fund by \$83,517 for the year ended December 31, 2005.

5. PROPERTY TAX

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

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. PROPERTY TAX – (CONTINUED)

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of one 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.

7. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$40,000	5.85%
Ohio Public Works Commission	\$93,872	0.00%
Ohio Water Development Authority Loan	277,981	4.78/4.66%
Total	<u>\$411,853</u>	

The Ohio Water Development Authority (OWDA) loan relates to the replacement of the elevated water storage tank project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$294,540 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$9,270, including interest, over 30 years. The scheduled payment amount presented last audit assumed that \$338,025 was going to be borrowed. The OWDA adjusted the schedule payment to reflect revisions in amounts the Village actually borrowed. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village issued a general obligation note for working capital for water system and services. Water receipts collateralize the loan.

The Ohio Public Works Commission (OPWC) loan relates to the replacement of the elevated water storage tank project. The OPWC approved up to \$107,282 loan to the Village for this project. The loan will be repaid in semiannual installments of \$2,682, over 20 years. This loan is collateralized by water receipts.

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. DEBT – (CONTINUED)

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

Year ending December 31:	OWDA Loans	OPWC Loan	General Obligation Notes
2007	\$18,541	\$5,364	\$42,340
2008	18,541	5,364	
2009	18,541	5,364	
2010	18,541	5,364	
2011	18,541	5,364	
2012-2016	92,706	26,820	
2017-2021	92,706	26,820	
2022-2026	92,796	13,412	
2027-2031	92,706		
2032-2034	31,248		
Total	\$494,867	\$93,872	\$42,340

8. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

9. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

9. RISK MANAGEMENT – (CONTINUED)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



Mary Taylor, CPA

Auditor of State

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

Village of Green Springs
Seneca County
120 Catherine Street, P. O. Box 536
Green Springs, Ohio 44836-0536

To the Village Council:

We have audited the financial statements of Village of Green Springs, Seneca County, (the Village) as of and for the year ended December 31, 2006 and 2005, and have issued our report thereon dated May 16, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the Village reclassified its trust funds. We also noted 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. 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Village'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 the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. However, we believe finding number 2006-002 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated May 16, 2007.

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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated May 16, 2007.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 16, 2007

VILLAGE OF GREEN SPRINGS
SENECA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

As of December 31, 2005 the Water Operating fund had expenditures of (\$481,868) in excess of appropriations (\$398,351) for a difference of \$83,517. This was a result of expenditures paid by the state on behalf of the Village and the activity was not recorded nor budgeted.

The Fiscal Officer should not certify purchases or approve payments without sufficient appropriation. If additional resources are available, the Fiscal Officer should request an amended certificate of estimated resources and request Council to increase appropriations.

Officials' Response: We did not receive a response from Officials to the finding reported above.

FINDING NUMBER 2006-002

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments. In 2005, an OPWC loan and payments to contractors directly paid by the State on behalf of the Village in the amount of \$107,282 were not posted to the Village financial records. In addition, a reclassification was made for payments to the City of Clyde for contract services in the amount of \$220,512.

Sound financial reporting is the responsibility of the fiscal officer and Village council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials' Response: We did not receive a response from Officials to the finding reported above.

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 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>
2004-001	Ohio Revised Code § 5705.39 total appropriations shall not exceed estimated resources.	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF GREEN SPRINGS

SENECA 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
JUNE 12, 2007**