



**VILLAGE OF GREENWICH
HURON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF GREENWICH
HURON COUNTY

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Mary Taylor, CPA

Auditor of State

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 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 18, 2008

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Mary Taylor, CPA

Auditor of State

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 Village of Greenwich, Huron County, (the Village) as of and for the years ended December 31, 2007 and 2006. 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 audits.

We conducted our audits 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 audits provide 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.

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, 2007 and 2006, 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, 2007 and 2006, 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 Greenwich, Huron County, as of December 31, 2007 and 2006, 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 July 18, 2008, 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 audits.



Mary Taylor, CPA
Auditor of State

July 18, 2008

**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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$144,636	\$11,626	\$156,262
Municipal Income Tax		158,661	158,661
Intergovernmental	135,886	72,904	208,790
Charges for Services		3,370	3,370
Fines, Licenses and Permits	24,694	331	25,025
Earnings on Investments	76,696	10,965	87,661
Miscellaneous	7,082	850	7,932
	<u>388,994</u>	<u>258,707</u>	<u>647,701</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	301,532	500	302,032
Public Health Services	7,261	4,880	12,141
Leisure Time Activities		11,166	11,166
Basic Utility Service	83,250		83,250
Transportation		164,340	164,340
General Government	117,478	20,681	138,159
Capital Outlay		13,881	13,881
	<u>509,521</u>	<u>215,448</u>	<u>724,969</u>
Total Receipts Over/(Under) Disbursements	<u>(120,527)</u>	<u>43,259</u>	<u>(77,268)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In	105,658	35,220	140,878
Transfers-Out		(140,878)	(140,878)
Other Financing Uses		(3,900)	(3,900)
	<u>105,658</u>	<u>(109,558)</u>	<u>(3,900)</u>
Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(14,869)	(66,299)	(81,168)
Fund Cash Balances, January 1	<u>677,877</u>	<u>372,948</u>	<u>1,050,825</u>
Fund Cash Balances, December 31	<u>\$663,008</u>	<u>\$306,649</u>	<u>\$969,657</u>
Reserve for Encumbrances, December 31	<u>\$435</u>	<u>\$359</u>	<u>\$794</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, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,866,419
Operating Cash Disbursements:	
Personal Services	166,386
Employee Fringe Benefits	57,269
Contractual Services	1,534,871
Supplies and Materials	176,298
Total Operating Cash Disbursements	1,934,824
Operating Loss	(68,405)
Non-Operating Cash Receipts:	
Property and Other Local Taxes	76,150
Miscellaneous Receipts	5,997
Total Non-Operating Cash Receipts	82,147
Non-Operating Cash Disbursements:	
Capital Outlay	11,221
Redemption of Principal	30,998
Interest and Other Fiscal Charges	9,018
Total Non-Operating Cash Disbursements	51,237
Net Receipts Under Disbursements	(37,495)
Fund Cash Balances, January 1	1,135,394
Fund Cash Balances, December 31	\$1,097,899
Reserve for Encumbrances, December 31	\$1,539

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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$136,675	\$12,204	\$148,879
Municipal Income Tax		174,373	174,373
Intergovernmental	131,531	80,645	212,176
Charges for Services		1,985	1,985
Fines, Licenses and Permits	30,493	753	31,246
Earnings on Investments	37,340	5,932	43,272
Miscellaneous	14,368	550	14,918
	<u>350,407</u>	<u>276,442</u>	<u>626,849</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	291,924		291,924
Public Health Services	41,874	10,491	52,365
Leisure Time Activities	3,249	19,462	22,711
Basic Utility Service	74,150		74,150
Transportation		117,046	117,046
General Government	124,447	15,532	139,979
Capital Outlay	10,000	15,840	25,840
	<u>545,644</u>	<u>178,371</u>	<u>724,015</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(195,237)</u>	<u>98,071</u>	<u>(97,166)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In	138,490	43,383	181,873
Transfers-Out	(8,341)	(173,532)	(181,873)
Other Financing Sources	33		33
Other Financing Uses		(4,300)	(4,300)
	<u>130,182</u>	<u>(134,449)</u>	<u>(4,267)</u>
Total Other Financing Receipts / (Disbursements)			
Cash Receipts and Other Financing Receipts			
Under Cash Disbursements and Other Financing			
Disbursements	(65,055)	(36,378)	(101,433)
Fund Cash Balances, January 1	742,932	409,326	1,152,258
	<u>742,932</u>	<u>409,326</u>	<u>1,152,258</u>
Fund Cash Balances, December 31	<u>\$677,877</u>	<u>\$372,948</u>	<u>\$1,050,825</u>
Reserve for Encumbrances, December 31	<u>\$8,102</u>	<u>\$671</u>	<u>\$8,773</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, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,651,207
Operating Cash Disbursements:	
Personal Services	140,394
Employee Fringe Benefits	50,045
Contractual Services	1,387,161
Supplies and Materials	125,191
Total Operating Cash Disbursements	1,702,791
Operating Loss	(51,584)
Non-Operating Cash Receipts:	
Property and Other Local Taxes	74,052
Miscellaneous Receipts	2,100
Total Non-Operating Cash Receipts	76,152
Non-Operating Cash Disbursements:	
Capital Outlay	8,747
Redemption of Principal	28,621
Interest and Other Fiscal Charges	11,395
Total Non-Operating Cash Disbursements	48,763
Receipts Under Disbursements Before Interfund Transfers	(24,195)
Transfers-In	8,341
Transfers-Out	(8,341)
Net Receipts Under Disbursements	(24,195)
Fund Cash Balances, January 1	1,159,589
Fund Cash Balances, December 31	\$1,135,394
Reserve for Encumbrances, December 31	\$1,154

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, 2007 AND 2006**

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 directs the Village. The Village provides electric, 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 participates in the Public Entities Pool of Ohio public entity risk pool. Note 8 to the financial statements provide additional information for this entity. This organization provides property and casualty coverage for its members.

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 and Investments

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 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.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. Special Revenue Funds

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

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

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 allocated to the General Fund (75 percent) and the Street Construction Fund (25 percent).

3. 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 Fund:

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 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.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 2007 and 2006 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:

	2007	2006
Demand deposits	\$967,556	\$1,086,219
Certificates of deposit	1,100,000	1,100,000
Total deposits	2,067,556	2,186,219

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$462,672	\$494,652	\$31,980
Special Revenue	294,772	293,927	(845)
Enterprise	1,725,000	1,948,566	223,566
Total	\$2,482,444	\$2,737,145	\$254,701

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,140,546	\$509,956	\$630,590
Special Revenue	667,721	360,585	307,136
Enterprise	2,860,425	1,987,600	872,825
Total	<u>\$4,668,692</u>	<u>\$2,858,141</u>	<u>\$1,810,551</u>

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$346,859	\$488,930	\$142,071
Special Revenue	263,401	319,825	56,424
Enterprise	1,412,000	1,735,700	323,700
Total	<u>\$2,022,260</u>	<u>\$2,544,455</u>	<u>\$522,195</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,103,582	\$562,087	\$541,495
Special Revenue	658,936	356,874	302,062
Enterprise	2,571,589	1,761,049	810,540
Total	<u>\$4,334,107</u>	<u>\$2,680,010</u>	<u>\$1,654,097</u>

4. 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.

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.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. 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.

6. DEBT

Debt outstanding at December 31, 2007, was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	249,573	0%
Ohio Water Development Authority Loan	248,213	3.49
Total	497,786	

The Ohio Water Development Authority (OWDA) loan relates to construction of a water tower. The loan will be repaid in semiannual installments of \$11,282, 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 \$3,750, \$3,047 and \$1,929 over 20 years. The Village has agreed to set utility rates sufficient to cover the OPWC debt service requirements.

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

Year ending December 31:	OWDA Loan	OPWC Loan	OPWC Loan	OPWC Loan
2008	11,282	3,750	3,047	1,929
2009	22,564	7,500	6,094	3,858
2010	22,564	7,500	6,094	3,858
2011	22,564	7,500	6,094	3,858
2012	22,564	7,500	6,094	3,858
2013 - 2017	112,820	37,500	30,470	19,290
2018 - 2023	112,820	37,500	6,094	19,290
2024 - 2028		11,250		9,645
Total	\$ 327,178	\$ 120,000	\$ 63,987	\$ 65,586

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. 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 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.70%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

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.

Casualty Coverage

For an occurrence prior to January 1, 2006, 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.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Villages can elect up to \$10,000,000 in additional coverage 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

VILLAGE OF GREENWICH
HURON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

8. RISK MANAGEMENT – (CONTINUED)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$29,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK MANAGEMENT – (CONTINUED)

<u>Contributions to PEP</u>	
2005	\$37,131
2006	\$29,492
2007	\$25,379

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. RELATED PARTY TRANSACTIONS

One Village Council member is owner of a company that provided vehicle repairs and maintenance to the Village. The Village paid \$4,748 for this service during 2007 and \$6,257 for this service during 2006. Another Village Council member is the owner of a company that provided computer supplies and repairs to the Village. The Village paid \$481 for this service during 2006.

10. CONTINGENT LIABILITIES

The Village was named as a defendant in a suit seeking monetary damages in excess of \$25,000. Legal counsel for the Village has asserted several defenses to the claim, however, liability remains uncertain as of the date of the audit report.



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

To the Village Council:

We have audited the financial statements of Village of Greenwich, Huron County, (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 18, 2008, 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. 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 audits 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 audits, 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Village's management in a separate letter dated July 18, 2008.

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 audits and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

July 18, 2008

**VILLAGE OF GREENWICH
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Revise Code § 5705.41(D) proper certification of fund availability of funds prior to purchase commitment.	Yes.	
2005-002	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.	Partially corrected.	Comment was repeated in the Management Letter.



Mary Taylor, CPA
Auditor of State

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
AUGUST 14, 2008