



Dave Yost • Auditor of State

VILLAGE OF GREENWICH
HURON COUNTY

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Dave Yost • 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 5, 2012

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Dave Yost • 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 the Village of Greenwich, Huron County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. 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 audits 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 Government 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(A) mandates 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Greenwich, Huron County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As described in Note 2, the Village changed the classification of a fund previously classified as a special revenue fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012, 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.



Dave Yost
Auditor of State

October 5, 2012

**VILLAGE OF GREENWICH
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$139,116	\$8,411	\$147,527
Municipal Income Tax		186,042	186,042
Intergovernmental	113,957	68,822	182,779
Charges for Services		3,450	3,450
Fines, Licenses and Permits	27,393	304	27,697
Earnings on Investments	6,391	723	7,114
Miscellaneous	10,321	1,463	11,784
<i>Total Cash Receipts</i>	<u>297,178</u>	<u>269,215</u>	<u>566,393</u>
Cash Disbursements			
Current:			
Security of Persons and Property	299,480	1,638	301,118
Public Health Services	1,046	2,828	3,874
Leisure Time Activities		4,223	4,223
Basic Utility Services	7,829		7,829
Transportation		78,881	78,881
General Government	122,430	19,512	141,942
Capital Outlay	1,136		1,136
<i>Total Cash Disbursements</i>	<u>431,921</u>	<u>107,082</u>	<u>539,003</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(134,743)</u>	<u>162,133</u>	<u>27,390</u>
Other Financing Receipts (Disbursements)			
Transfers In	122,353	40,784	163,137
Transfers Out	(72,620)	(163,137)	(235,757)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>49,733</u>	<u>(122,353)</u>	<u>(72,620)</u>
<i>Net Change in Fund Cash Balances</i>	(85,010)	39,780	(45,230)
<i>Fund Cash Balances, January 1</i>	<u>386,851</u>	<u>231,179</u>	<u>618,030</u>
Fund Cash Balances, December 31			
Restricted		270,959	270,959
Unassigned	301,841		301,841
<i>Fund Cash Balances, December 31</i>	<u>\$301,841</u>	<u>\$270,959</u>	<u>\$572,800</u>

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

**VILLAGE OF GREENWICH
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$1,938,345		\$1,938,345
Miscellaneous	1,507		1,507
<i>Total Operating Cash Receipts</i>	<u>1,939,852</u>		<u>1,939,852</u>
Operating Cash Disbursements			
Personal Services	205,435		205,435
Employee Fringe Benefits	96,667		96,667
Contractual Services	1,332,314		1,332,314
Supplies and Materials	228,501		228,501
<i>Total Operating Cash Disbursements</i>	<u>1,862,917</u>		<u>1,862,917</u>
<i>Operating Income</i>	<u>76,935</u>		<u>76,935</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	622	\$3,058	3,680
Intergovernmental		264	264
Special Assessments	900		900
Miscellaneous Receipts	2,100		2,100
Capital Outlay	(9,915)		(9,915)
Principal Retirement	(46,735)		(46,735)
Interest and Other Fiscal Charges	(7,008)		(7,008)
Other Financing Sources		20,500	20,500
Other Financing Uses		(27,581)	(27,581)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(60,036)</u>	<u>(3,759)</u>	<u>(63,795)</u>
<i>Income (Loss) before Interfund Transfers</i>	16,899	(3,759)	13,140
Transfers In	72,620		72,620
<i>Net Change in Fund Cash Balances</i>	89,519	(3,759)	85,760
<i>Fund Cash Balances, January 1</i>	<u>822,938</u>	<u>28,458</u>	<u>851,396</u>
<i>Fund Cash Balances, December 31</i>	<u>\$912,457</u>	<u>\$24,699</u>	<u>\$937,156</u>

**VILLAGE OF GREENWICH
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$140,953	\$11,253	\$152,206
Municipal Income Tax		141,461	141,461
Intergovernmental	113,639	104,604	218,243
Charges for Services		2,010	2,010
Fines, Licenses and Permits	30,131	554	30,685
Earnings on Investments	11,061	1,411	12,472
Miscellaneous	4,335	1,239	5,574
<i>Total Cash Receipts</i>	<u>300,119</u>	<u>262,532</u>	<u>562,651</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	316,074	250	316,324
Public Health Services	1,076	7,275	8,351
Leisure Time Activities	163	4,735	4,898
Basic Utility Service	5,000		5,000
Transportation		115,766	115,766
General Government	137,031	21,364	158,395
Capital Outlay	2,800	51,451	54,251
<i>Total Cash Disbursements</i>	<u>462,144</u>	<u>200,841</u>	<u>662,985</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(162,025)</u>	<u>61,691</u>	<u>(100,334)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In	90,295	30,098	120,393
Transfers-Out	(71,040)	(120,393)	(191,433)
Other Financing Uses	(385)		(385)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>18,870</u>	<u>(90,295)</u>	<u>(71,425)</u>
<i>Net Change in Fund Cash Balances</i>	(143,155)	(28,604)	(171,759)
<i>Fund Cash Balances, January 1</i>	<u>530,006</u>	<u>259,783</u>	<u>789,789</u>
<i>Fund Cash Balances, December 31</i>	<u>\$386,851</u>	<u>\$231,179</u>	<u>\$618,030</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$1,724</u>	<u>\$303</u>	<u>\$2,027</u>

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

**VILLAGE OF GREENWICH
HURON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,873,284		\$1,873,284
Miscellaneous	440		440
<i>Total Operating Cash Receipts</i>	<u>1,873,724</u>		<u>1,873,724</u>
Operating Cash Disbursements:			
Personal Services	244,609		244,609
Employee Fringe Benefits	91,890		91,890
Contractual Services	1,388,495		1,388,495
Supplies and Materials	162,908		162,908
<i>Total Operating Cash Disbursements</i>	<u>1,887,902</u>		<u>1,887,902</u>
<i>Operating Loss</i>	<u>(14,178)</u>		<u>(14,178)</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes	598	\$2,405	3,003
Intergovernmental		1,532	1,532
Miscellaneous Receipts	2,170		2,170
Other Non-Operating Cash Receipts		4,000	4,000
Redemption of Principal	(46,206)		(46,206)
Interest and Other Fiscal Charges	(7,537)		(7,537)
Other Non-Operating Cash Disbursements		(4,071)	(4,071)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(50,975)</u>	<u>3,866</u>	<u>(47,109)</u>
<i>Income (Loss) before Interfund Transfers</i>	(65,153)	3,866	(61,287)
Transfers-In	71,040		71,040
<i>Net Change in Fund Cash Balances</i>	5,887	3,866	9,753
<i>Fund Cash Balances, January 1</i>	<u>817,051</u>	<u>24,592</u>	<u>841,643</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$822,938</u></u>	<u><u>\$28,458</u></u>	<u><u>\$851,396</u></u>
<i>Reserve for Encumbrances, December 31</i>	<u><u>\$1,521</u></u>		<u><u>\$1,521</u></u>

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, 2011 AND 2010**

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, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, transportation, and public health services, water, sewer, and electric utilities, park operations, and police services.

The Village participates in two jointly governed organizations and the Public Entities Pool of Ohio public entity risk pool. Notes 9 and 10 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Tri-Community Joint Fire District provides fire protection and rescue services.

Tri-Community Ambulance District provides emergency medical services.

Public Entity Risk Pool:

Public Entities Pool of Ohio 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. Deposits 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.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, Maintenance and Repair Fund (25 percent) to defray the costs of operation.

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 Operating Fund - This fund receives charges for services from residents and outside users to cover electric service costs.

4. 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 funds account for monies received from insurance companies and subsequently disbursed to property owners net of any costs incurred to repair, remove, or secure the building or other structure and library levy proceeds collected and remitted to Extension Library District of Huron County.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires 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 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For fiscal year 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. This change had no affect on the previously stated fund balances.

For December 31, 2011 fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

VILLAGE OF GREENWICH
HURON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. **Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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. **RESTATEMENT OF FUND BALANCE**

In fiscal year 2010 the Village reclassified the fund used to account for library levy proceeds previously accounted for as a special revenue fund to an agency fund as the Village deemed this classification to be more appropriate based on the fiduciary role of the Village. This change in

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. RESTATEMENT OF FUND BALANCE (Continued)

classification had the following effect on fund balance previously reported for the year ended December 31, 2009:

	Special Revenue	Fiduciary	Total
Fund balance December 31, 2009	\$260,982	\$23,393	\$284,375
Fund reclassification	(1,199)	1,199	
Restated fund balance January 1, 2010	<u>\$259,783</u>	<u>\$24,592</u>	<u>\$284,375</u>

3. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$77,582	\$19,617
Certificates of deposit	810,000	810,000
Other time deposits (savings accounts)	622,374	639,809
Total deposits	<u>\$1,509,956</u>	<u>\$1,469,426</u>

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$362,919	\$419,531	\$56,612
Special Revenue	239,081	309,999	70,918
Enterprise	2,060,000	2,016,094	(43,906)
Total	<u>\$2,662,000</u>	<u>\$2,745,624</u>	<u>\$83,624</u>

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$749,770	\$506,198	\$243,572
Special Revenue	470,261	270,516	199,745
Enterprise	2,882,938	1,928,385	954,553
Total	\$4,102,969	\$2,705,099	\$1,397,870

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$354,942	\$390,414	\$35,472
Special Revenue	249,841	292,630	42,789
Enterprise	1,775,000	1,947,532	172,532
Total	\$2,379,783	\$2,630,576	\$250,793

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$908,336	\$535,293	\$373,043
Special Revenue	509,627	321,537	188,090
Enterprise	2,592,055	1,943,166	648,889
Total	\$4,010,018	\$2,799,996	\$1,210,022

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.

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, 2011 AND 2010
(Continued)**

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, 2011 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$244,723	0.00% - 3.49%
Ohio Public Works Commission Loans	366,707	0%
Total	\$611,430	

The Ohio Water Development Authority (OWDA) loans relate to the construction of a water tower and a sewer separation project. The loans will be repaid in semiannual installments of \$11,282 and \$1,589, respectively, 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, a water line improvement, and sewer separation projects. The loans will be repaid in semiannual installments of \$3,047, \$3,750, \$1,929, \$1,463, and \$3,811 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 Loans	OPWC Loans
2012	\$25,742	\$28,000
2013	25,742	28,000
2014	25,742	28,000
2015	25,742	28,000
2016	25,742	28,000
2017-2021	128,711	118,671
2022-2026	15,895	79,314
2027-2029	7,947	28,722
Total	\$281,263	\$366,707

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

9. RISK MANAGEMENT

Risk Pool Membership

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2011 and 2010:

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

9. RISK MANAGEMENT (Continued)

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Village's share of these unpaid claims collectible in future years is approximately \$24,000.

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.

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$26,177	\$18,154

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

10. JOINTLY GOVERNED ORGANIZATIONS

Tri-Community Ambulance District

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Greenwich, Greenwich Township, and Ripley Township. The District provides emergency medical services to residents of these political subdivisions. Financial information can be obtained from Traci Montgomery, Clerk, Tri-Community Ambulance District, 3720 Edwards Road, Greenwich, Ohio 44837-9416.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

10. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Tri-Community Joint Fire District

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are the Village of Greenwich, Greenwich Township, and Ripley Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained from the Tri-Community Joint Fire District, 49 Main Street, Greenwich, Ohio, 44837-1145.

11. AMERICAN MUNICIPAL POWER GENERATING PROJECT

The Village of Greenwich is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. (Please see attached Joint Resolution No. 09-11-2891 dated November 24, 2009.) The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2011, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2011 AMP has a regulatory asset of \$86,548,349 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

**VILLAGE OF GREENWICH
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

11. AMERICAN MUNICIPAL POWER GENERATING PROJECT (Continued)

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on an allocation to Greenwich of 800 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2011 the Village of Greenwich has a potential stranded cost obligation of \$130,844 for the AMPGS Project. The Village of Greenwich does not have any payments on deposit with AMP at December 31, 2011.

AMP Fremont Energy Center (AFEC) Development Fee –

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board (please see attached Amended Minutes of May 3, 2011). The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$32,456 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 310 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2011.

Recording of Stranded Costs-

The Village has not recorded stranded costs for the AMPGS Project.

The Village has not requested an invoice from AMP for the potential stranded costs identified in the memos AMP sent in November and December of 2011. The Village is not intending to request an invoice from AMP until such time as the litigation with the EPC contractor is finalized.

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Dave Yost • 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 the Village of Greenwich, Huron County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 5, 2012 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 and the Village implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We also noted 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(A) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 5, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 5, 2012



Dave Yost • 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
OCTOBER 23, 2012