



**Auditor of State  
Betty Montgomery**



**VILLAGE OF GREENWICH  
HURON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19
Schedule of Prior Audit Findings .....	20

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

## **INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Greenwich, Huron County, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using 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 conduct the audit of 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 provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

May 10, 2004

**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, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 138,649	\$ 13,476	\$ -	\$ 152,125
State Shared Taxes and Permits	-	197,559	173,326	370,885
Intergovernmental Receipts	142,453	52,912	-	195,365
Charges for Services	-	2,050	81,430	83,480
Fines, Licenses, and Permits	27,208	25	-	27,233
Earnings on Investments	35,302	8,863	-	44,165
Miscellaneous	8,073	575	-	8,648
<b>Total Cash Receipts</b>	<b>351,685</b>	<b>275,460</b>	<b>254,756</b>	<b>881,901</b>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	281,543	-	-	281,543
Public Health Services	54,938	9,410	-	64,348
Leisure Time Activities	-	1,682	-	1,682
Transportation	-	93,227	-	93,227
General Government	131,172	8,196	-	139,368
Debt Service:				
Principal Payments	-	-	6,094	6,094
Capital Outlay	18,763	2,595	414,583	435,941
<b>Total Cash Disbursements</b>	<b>486,416</b>	<b>115,110</b>	<b>420,677</b>	<b>1,022,203</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(134,731)</b>	<b>160,350</b>	<b>(165,921)</b>	<b>(140,302)</b>
<b>Other Financing Receipts and (Disbursements)</b>				
Transfers-In	362,651	105,797	-	468,448
Transfers-Out	(45,261)	(423,187)	-	(468,448)
Other Financing Uses	(59)	(3,690)	-	(3,749)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>317,331</b>	<b>(321,080)</b>	<b>-</b>	<b>(3,749)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	182,600	(160,730)	(165,921)	(144,051)
Fund Cash Balances, January 1	761,179	482,788	237,250	1,481,217
<b>Fund Cash Balances, December 31</b>	<b>\$ 943,779</b>	<b>\$ 322,058</b>	<b>\$ 71,329</b>	<b>\$ 1,337,166</b>
Reserves for Encumbrances, December 31	\$ 672	\$ 73	\$ -	\$ 745

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, 2003

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 994,084
Miscellaneous	2,100
	<hr/>
Total Operating Cash Receipts	996,184
	<hr/>
<b>Operating Cash Disbursements</b>	
Personal Services	138,740
Fringe Benefits	65,783
Contractual Services	551,506
Supplies and Materials	300,403
Debt Service:	
Redemption of Principal	12,300
Interest and Fiscal Charges	11,274
Capital Outlay	52,841
	<hr/>
Total Operating Cash Disbursements	1,132,847
	<hr/>
Operating Loss	(136,663)
	<hr/>
<b>Non-Operating Cash Receipts</b>	
Intergovernmental Receipts	63,771
	<hr/>
Total Non-Operating Cash Receipts	63,771
	<hr/>
Net Cash Disbursements Over Cash Receipts	(72,892)
	<hr/>
Fund Cash Balances, January 1	983,153
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$ 910,261</b>
	<hr/> <hr/>
Reserve for Encumbrances, December 31	\$ 658
	<hr/> <hr/>

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, 2002**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts</b>				
Property Tax and Other Local Taxes	\$ 136,713	\$ 14,397	\$ -	\$ 151,110
State Shared Taxes and Permits	-	185,659	-	185,659
Intergovernmental Receipts	141,662	104,194	69,646	315,502
Charges for Services	-	1,030	81,517	82,547
Fines, Licenses, and Permits	25,595	444	-	26,039
Earnings on Investments	53,165	11,191	-	64,356
Miscellaneous	23,583	880	-	24,463
<b>Total Cash Receipts</b>	<b>380,718</b>	<b>317,795</b>	<b>151,163</b>	<b>849,676</b>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	238,090	-	-	238,090
Public Health Services	52,667	7,790	-	60,457
Leisure Time Activities	-	3,574	-	3,574
Transportation	-	139,065	-	139,065
General Government	103,988	3,211	-	107,199
Debt Service:				
Principal Payments	-	-	6,095	6,095
Capital Outlay	72,685	14,644	130,212	217,541
<b>Total Cash Disbursements</b>	<b>467,430</b>	<b>168,284</b>	<b>136,307</b>	<b>772,021</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(86,712)</b>	<b>149,511</b>	<b>14,856</b>	<b>77,655</b>
<b>Other Financing Receipts and (Disbursements)</b>				
Transfers-In	219,236	54,809	-	274,045
Transfers-Out	(54,809)	(219,236)	-	(274,045)
Other Financing Uses	-	(3,526)	-	(3,526)
Other Financing Sources	24,722	-	-	24,722
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>189,149</b>	<b>(167,953)</b>	<b>-</b>	<b>21,196</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	102,437	(18,442)	14,856	98,851
Fund Cash Balances, January 1	658,742	501,230	222,394	1,382,366
<b>Fund Cash Balances, December 31</b>	<b>\$ 761,179</b>	<b>\$ 482,788</b>	<b>\$ 237,250</b>	<b>\$ 1,481,217</b>
Reserves for Encumbrances, December 31	\$ 19,692	\$ 7,034	\$ 84,338	\$ 111,064

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, 2002

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,002,529
Miscellaneous	2,100
	<hr/>
Total Operating Cash Receipts	<u>1,004,629</u>
<b>Operating Cash Disbursements</b>	
Personal Services	103,182
Fringe Benefits	32,682
Contractual Services	616,560
Supplies and Materials	104,895
Debt Service:	
Redemption of Principal	11,882
Interest and Fiscal Charges	11,648
Capital Outlay	288,918
	<hr/>
Total Operating Cash Disbursements	<u>1,169,767</u>
Operating Loss	<u>(165,138)</u>
<b>Non-Operating Cash Receipts</b>	
Intergovernmental Receipts	244,904
	<hr/>
Total Non-Operating Cash Receipts	<u>244,904</u>
Net Cash Receipts Over Cash Disbursements	79,766
Fund Cash Balances, January 1	<u>903,387</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 983,153</u></b>
Reserve for Encumbrances, December 31	<u><u>92,920</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, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Greenwich, Huron County (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water, sewer and electric utilities, park operations (leisure time activities), and police services (security of persons and property). The Village contracts with North Central EMS to provide ambulance services and with Tri-Community Fire District for fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued 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:

**VILLAGE OF GREENWICH  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2003  
(Continued)

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from capital projects) 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 transferred to the General Fund (75 percent) and the Street Construction Fund (25 percent).

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project funds:

Sewer Improvement Fund - This fund accounts for the surcharge fee added to the utility bills for the payment and upkeep of the Village's sewer system.

**4. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered 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.

**VILLAGE OF GREENWICH  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2003  
(Continued)

**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 level of control, and appropriations may not exceed estimated resources. The 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF GREENWICH  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2003  
(Continued)

**2. MATERIAL NONCOMPLIANCE**

The Village did not pay the electric utility tax to its general fund as required in 2003 or 2002.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	\$ 1,147,427	\$ 1,364,370
Certificates of deposit	1,100,000	1,100,000
Total deposits	\$ 2,247,427	\$ 2,464,370

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 177,700	\$ 714,336	\$ 536,636
Special Revenue	232,667	381,257	148,590
Capital Projects	246,793	254,756	7,963
Enterprise	1,116,374	1,059,955	(56,419)
Total	\$ 1,773,534	\$ 2,410,304	\$ 636,770

**VILLAGE OF GREENWICH  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2003  
(Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 934,512	\$ 532,408	\$ 402,104
Special Revenue	714,871	542,060	172,811
Capital Projects	482,664	420,677	61,987
Enterprise	2,003,491	1,133,505	869,986
Total	<u>\$ 4,135,538</u>	<u>\$ 2,628,650</u>	<u>\$ 1,506,888</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,049,001	\$ 624,677	\$ (424,324)
Special Revenue	161,293	372,605	211,312
Capital Projects	80,000	151,163	71,163
Enterprise	976,999	1,249,533	272,534
Total	<u>\$ 2,267,293</u>	<u>\$ 2,397,978</u>	<u>\$ 130,685</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,683,020	\$ 541,930	\$ 1,141,090
Special Revenue	662,523	398,080	264,443
Capital Projects	302,394	220,645	81,749
Enterprise	1,880,386	1,262,688	617,698
Total	<u>\$ 4,528,323</u>	<u>\$ 2,423,343</u>	<u>\$ 2,104,980</u>

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due

**VILLAGE OF GREENWICH  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2003  
(Continued)

to the County by December 31. If the property owner elects to make semiannual payments, 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.

**6. LOCAL INCOME TAX**

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

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

**7. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 312,533	3.49%
Ohio Public Works Commission Loan	149,999	
Ohio Public Works Commission Loan	88,376	
Total	<u>\$ 550,908</u>	

The Ohio Water Development Authority (OWDA) loan relates to construction of a water tower. The loan will be repaid in semiannual installments of \$11,765.08, 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) loans relate to a sanitary collector line replacement and a storm sewer separation. The loans will be repaid in semiannual



**VILLAGE OF GREENWICH  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2003  
(Continued)

installments of \$3,749.98 and \$3,047.43 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:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>OPWC Loan</u>
2004	\$ 23,530	\$ 7,500	\$ 6,095
2005	23,530	7,500	6,095
2006	23,530	7,500	6,095
2007	23,530	7,500	6,095
2008	23,530	7,500	6,095
2009-2013	117,650	37,500	30,475
2014-2018	117,650	37,500	27,426
2019-2023	58,825	37,499	
Total	<u>\$ 411,775</u>	<u>\$ 149,999</u>	<u>\$ 88,376</u>

**8. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2003.

**9. RISK MANAGEMENT**

**Risk Pool Membership**

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member

**VILLAGE OF GREENWICH  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2003  
(Continued)

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

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

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:

**VILLAGE OF GREENWICH  
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2003  
(Continued)

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 20,174,977	\$ 19,358,458
Liabilities	<u>(8,550,749)</u>	<u>(8,827,588)</u>
Retained Earnings	<u>\$ 11,624,228</u>	<u>\$ 10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 2,565,408	\$ 1,890,323
Liabilities	<u>(655,318)</u>	<u>(469,100)</u>
Retained Earnings	<u>\$ 1,910,090</u>	<u>\$ 1,421,223</u>

**10. RELATED PARTY TRANSACTIONS**

A Village council member is owner of a company from which the Village paid to perform repairs on vehicles during the year. The Village paid \$4,547 for this service during 2003 and 2002.

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL 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 accompanying financial statements of the Village of Greenwich, Huron County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 10, 2004 wherein we noted that the Village's financial transactions were processed using 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 conduct the audit of the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 10, 2004.

### **Internal Control over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 10, 2004.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

May 10, 2004

**VILLAGE OF GREENWICH  
HURON COUNTY**

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Revised Code § 5727.82 (A)(3) permits a municipal electric communities to retain in their community general fund the kilowatt hour taxes collected from distribution customers served inside their city or village limits. The amount of the tax associated with inside customers must be allocated to the municipality's general fund and the municipality may retain the money in the general fund.

The Village collected the tax in the electric fund and did not credit the general fund for the portion of tax due from customers inside the Village limits. Based on the total monthly electric consumption from December 1, 2001 through November 30, 2003, \$76,592 and \$76,109 tax was due the general fund for 2002 and 2003, respectively. The accompanying financial statements have been adjusted to show the amounts as local taxes in the general fund. We recommend the Village Clerk calculate how much tax should be collected from the end users inside the Village boundaries and record this amount in the general fund monthly. Council may pass legislation to transfer these funds to another fund if so desired.

**VILLAGE OF GREENWICH  
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-30539-001	ORC § 135.18 requires depository to secure funds on deposit.	Yes	





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
JUNE 10, 2004**