



Dave Yost • Auditor of State

VILLAGE OF GREEN SPRINGS
SENECA COUNTY

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Dave Yost • Auditor of State

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

To the Village Council:

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 21, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Green Springs, Seneca County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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, 2010 and 2009 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, 2010 and 2009, 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 Village of Green Springs, Seneca County, as of December 31, 2010 and 2009, 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 21, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

July 21, 2011

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

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

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$47,357	\$34,803			\$82,160
Municipal Income Tax	261,215				261,215
Intergovernmental	87,009	88,398	\$654,109		829,516
Charges for Services	5,061				5,061
Fines, Licenses and Permits	14,757	405			15,162
Earnings on Investments	3,284	426			3,710
Miscellaneous	58,184	635			58,819
Total Cash Receipts	<u>476,867</u>	<u>124,667</u>	<u>654,109</u>		<u>1,255,643</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	54,790	129,788			184,578
Public Health Services	15,825				15,825
Leisure Time Activities	23,075				23,075
Community Environment	1,979				1,979
Basic Utility Service	1,681				1,681
Transportation	62,115	69,435			131,550
General Government	150,860				150,860
Capital Outlay	160,481	33,792	954,325		1,148,598
Total Cash Disbursements	<u>470,806</u>	<u>233,015</u>	<u>954,325</u>		<u>1,658,146</u>
Total Receipts Over/(Under) Disbursements	<u>6,061</u>	<u>(108,348)</u>	<u>(300,216)</u>		<u>(402,503)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In		80,000			80,000
Transfers-Out	(80,000)				(80,000)
Other Debt Proceeds			256,967		256,967
Other Financing Uses	(36)				(36)
Total Other Financing Receipts / (Disbursements)	<u>(80,036)</u>	<u>80,000</u>	<u>256,967</u>		<u>256,931</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	<u>(73,975)</u>	<u>(28,348)</u>	<u>(43,249)</u>		<u>(145,572)</u>
Fund Cash Balances, January 1	<u>604,221</u>	<u>192,280</u>	<u>89,243</u>	<u>\$6,763</u>	<u>892,507</u>
Fund Cash Balances, December 31	<u>\$530,246</u>	<u>\$163,932</u>	<u>\$45,994</u>	<u>\$6,763</u>	<u>\$746,935</u>
Reserve for Encumbrances, December 31	<u>\$563</u>	<u>\$1,026</u>			<u>\$1,589</u>

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$669,451		\$669,451
Fines, Licenses and Permits		\$6,059	6,059
Miscellaneous	1,619		1,619
Total Operating Cash Receipts	<u>671,070</u>	<u>6,059</u>	<u>677,129</u>
Operating Cash Disbursements:			
Personal Services	55,436		55,436
Employee Fringe Benefits	16,408		16,408
Contractual Services	588,071		588,071
Supplies and Materials	23,471		23,471
Other	241		241
Total Operating Cash Disbursements	<u>683,627</u>		<u>683,627</u>
Operating Income/(Loss)	<u>(12,557)</u>	<u>6,059</u>	<u>(6,498)</u>
Non-Operating Cash Receipts:			
Intergovernmental	23,562		23,562
Other Debt Proceeds	4,225		4,225
Total Non-Operating Cash Receipts	<u>27,787</u>		<u>27,787</u>
Non-Operating Cash Disbursements:			
Capital Outlay	80,936		80,936
Redemption of Principal	63,978		63,978
Interest and Other Fiscal Charges	13,241		13,241
Other Non-Operating Cash Disbursements		1,768	1,768
Total Non-Operating Cash Disbursements	<u>158,155</u>	<u>1,768</u>	<u>159,923</u>
Net Receipts Over/(Under) Disbursements	(142,925)	4,291	(138,634)
Fund Cash Balances, January 1	<u>596,055</u>	<u>7,171</u>	<u>603,226</u>
Fund Cash Balances, December 31	<u>\$453,130</u>	<u>\$11,462</u>	<u>\$464,592</u>
Reserve for Encumbrances, December 31	<u>\$460</u>		<u>\$460</u>

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$46,570	\$34,619			\$81,189
Municipal Income Tax	253,500				253,500
Intergovernmental	86,632	82,642	\$229,789		399,063
Charges for Services	10,933				10,933
Fines, Licenses and Permits	8,037				8,037
Earnings on Investments	6,917	529			7,446
Miscellaneous	7,298	452			7,750
Total Cash Receipts	<u>419,887</u>	<u>118,242</u>	<u>229,789</u>		<u>767,918</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	55,022	120,331			175,353
Public Health Services	12,984	155			13,139
Leisure Time Activities	19,646				19,646
Community Environment	1,692				1,692
Basic Utility Service	1,892				1,892
Transportation	64,719	59,888			124,607
General Government	143,764				143,764
Capital Outlay	75,081	3,356	1,154,788		1,233,225
Total Cash Disbursements	<u>374,800</u>	<u>183,730</u>	<u>1,154,788</u>		<u>1,713,318</u>
Total Receipts Over/(Under) Disbursements	<u>45,087</u>	<u>(65,488)</u>	<u>(924,999)</u>		<u>(945,400)</u>
Other Financing Receipts / (Disbursements):					
Other Debt Proceeds			924,999		924,999
Transfers-In		80,000			80,000
Transfers-Out	(80,000)				(80,000)
Advances-In			3,514		3,514
Advances-Out			(3,514)		(3,514)
Total Other Financing Receipts / (Disbursements)	<u>(80,000)</u>	<u>80,000</u>	<u>924,999</u>		<u>924,999</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(34,913)	14,512			(20,401)
Fund Cash Balances, January 1	639,134	177,768	89,243	\$6,763	912,908
Fund Cash Balances, December 31	<u>\$604,221</u>	<u>\$192,280</u>	<u>\$89,243</u>	<u>\$6,763</u>	<u>\$892,507</u>
Reserve for Encumbrances, December 31	<u>\$108,971</u>	<u>\$14,349</u>	<u>\$121,762</u>		<u>\$245,082</u>

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$781,833		\$781,833
Fines, Licenses and Permits		\$7,653	7,653
Miscellaneous	96		96
Total Operating Cash Receipts	<u>781,929</u>	<u>7,653</u>	<u>789,582</u>
Operating Cash Disbursements:			
Personal Services	50,763		50,763
Employee Fringe Benefits	14,947		14,947
Contractual Services	671,213		671,213
Supplies and Materials	14,082		14,082
Other	441		441
Total Operating Cash Disbursements	<u>751,446</u>		<u>751,446</u>
Operating Income	<u>30,483</u>	<u>7,653</u>	<u>38,136</u>
Non-Operating Cash Receipts:			
Intergovernmental	224,653		224,653
Miscellaneous Receipts	24,771		24,771
Other Debt Proceeds	21,337		21,337
Total Non-Operating Cash Receipts	<u>270,761</u>		<u>270,761</u>
Non-Operating Cash Disbursements:			
Capital Outlay	126,729		126,729
Redemption of Principal	30,080		30,080
Interest and Other Fiscal Charges	14,087		14,087
Other Non-Operating Cash Disbursements		2,565	2,565
Total Non-Operating Cash Disbursements	<u>170,896</u>	<u>2,565</u>	<u>173,461</u>
Excess of Receipts Over Disbursements Before Interfund Advances	130,348	5,088	135,436
Advances-In	3,514		3,514
Advances-Out	<u>(3,514)</u>		<u>(3,514)</u>
Net Receipts Over Disbursements	130,348	5,088	135,436
Fund Cash Balances, January 1	<u>465,707</u>	<u>2,083</u>	<u>467,790</u>
Fund Cash Balances, December 31	<u>\$596,055</u>	<u>\$7,171</u>	<u>\$603,226</u>
Reserve for Encumbrances, December 31	<u>\$106,419</u>		<u>\$106,419</u>

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

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

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

C. 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.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for 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.

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. Capital Project Funds

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

West Adams Street Improvement Fund – This fund receives loan proceeds from the Ohio Public Works Commission (OPWC) for construction of street improvements.

Sewer Separation Phase Fund – This fund receives loan proceeds from the Ohio Public Works Commission (OPWC) for construction of a sewer separation project.

4. Permanent Fund

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

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

5. Enterprise Funds

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

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

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

6. Fiduciary Funds

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

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (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, 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 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 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:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$930,951	\$1,215,157
Certificates of deposit	280,576	280,576
Total deposits	<u>\$1,211,527</u>	<u>\$1,495,733</u>

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$477,586	\$476,867	(\$719)
Special Revenue	204,906	204,667	(239)
Capital Projects	654,126	911,076	256,950
Enterprise	701,561	698,857	(2,704)
Fiduciary	5,800	6,059	259
Total	\$2,043,979	\$2,297,526	\$253,547

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$901,188	\$551,405	\$349,783
Special Revenue	369,899	234,041	135,858
Capital Projects	1,432,790	954,325	478,465
Enterprise	1,136,995	842,242	294,753
Fiduciary	12,000	1,768	10,232
Total	\$3,852,872	\$2,583,781	\$1,269,091

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$568,153	\$419,887	(\$148,266)
Special Revenue	205,105	198,242	(6,863)
Capital Projects	219,478	1,154,788	935,310
Enterprise	958,147	1,052,690	94,543
Fiduciary	6,300	7,653	1,353
Total	\$1,957,183	\$2,833,260	\$876,077

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$826,929	\$563,771	\$263,158
Special Revenue	244,847	198,079	46,768
Capital Projects	2,533,618	1,276,550	1,257,068
Enterprise	1,039,494	1,028,761	10,733
Fiduciary	5,150	2,565	2,585
Total	\$4,650,038	\$3,069,726	\$1,580,312

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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.

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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	\$14,000	4.25%
Ohio Public Works Commission Loans	554,310	0%
Ohio Water Development Authority Loan	<u>646,172</u>	4.66-4.78%
Total	<u><u>\$1,214,482</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to the replacement of the elevated water storage tank project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$294,540 in loans to the Village for this project. The Village will repay the loans in semiannual installments including interest, over 30 years. In 2009, a new loan was approved for the Collection System and Waste Water Treatment Improvements in the amount of \$418,970. No amortization schedule was available for this loan as of December 31, 2010 because it became part of a larger loan for Waste Water Treatment Plant/Combined Sewer Operation project, the OWDA approved for up to \$1,508,309 in January 29, 2009. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

The Ohio Public Works Commission (OPWC) loan relates to the replacement of the elevated water storage tank, waterline and sewer projects. The OPWC approved up to \$107,282, \$23,842 and \$209,970 in loans to the Village for these projects. During our audit period three new loans were approved for waterline and sewer projects. The OPWC approved \$157,327, 57,411 and 67,713 respectively. The loans will be repaid in semiannual installments over 30 years. These loans are collateralized by water receipts.

The Village's taxing authority collateralized the bonds.

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

Year ending December 31:	OWDA Loan	OWPC Loan	General Obligation Notes
2011	\$18,539	\$22,970	\$14,595
2012	18,542	22,970	
2013	18,541	22,970	
2014	18,542	22,970	
2015	18,541	22,970	
2016-2020	92,713	114,850	
2021-2025	92,704	106,805	
2026-2030	92,705	85,648	
2031-2035	41,131	82,070	
2036-2040		50,087	
Total	<u>\$411,958</u>	<u>\$554,310</u>	<u>\$14,595</u>

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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, 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, 2010.

8. Risk Pool Management

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Pool Management (Continued)

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

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

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

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. Risk Pool Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009 OPRM	2009 OPHC	2009	2008
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.



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

To the Village Council:

We have audited the financial statements of Village of Green Springs, Seneca County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 21, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 21, 2011.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of Village Council, audit committee, management, 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, flowing style.

Dave Yost
Auditor of State

July 21, 2011

VILLAGE OF GREEN SPRINGS
SENECA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

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

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

Thirty-two percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2010-001
(Continued)**

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer and recorded against appropriations.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2010-002

Material Weakness

Financial Reporting

The following errors were noted on the financial statements that required audit adjustments:

- In 2010, OWDA revenues received and expended on behalf of the Village totaling \$256,967 were not recorded in the Capital Projects Fund.
- In 2009, storm sewer tap fee and expenses were recorded in the General Fund rather than in the Sewer Operating Fund in the amount \$104,129.
- In 2010 and 2009, Mayor's Court computer fees were recorded in the Agency Fund, Miscellaneous line item rather than Fines, Licenses and Permits line item in the amounts of \$572 and \$814, respectively.
- In 2010 intergovernmental revenue was recorded in the Sewer Operating Fund, Extraordinary Item line item rather than the Intergovernmental Revenue line item in the amount of \$23,562.
- In 2009 for miscellaneous revenues were recorded in the Police Operating and Sewer Operating Funds, Extraordinary Item line item rather than the Miscellaneous line item in the amounts of \$125 and \$24,771, respectively.
- In 2010 and 2009, Mayor's Court state fees and expenses were not recorded in the Agency Fund in the amounts of \$1,768 and \$2,565, respectively.

Sound financial reporting is the responsibility of the Fiscal Officer and the Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Audit Committee to identify and correct errors and omissions.

Officials' Response:

The financial statements have been adjusted by the Fiscal Officer.

**VILLAGE OF GREEN SPRINGS
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Noncompliance citation – ORC § 117.28 for public money illegally expended in the amount of \$1,000 for over payment made to Jarrett Tree Service	Yes	
2008-002	Noncompliance citation – ORC § 5705.36(A)(4) for not requesting a reduced amended certificate of estimated resources and reduce appropriations	Yes	
2008-003	Noncompliance citation – ORC § 5705.39 for appropriations exceeding the total estimated resources	Yes	

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VILLAGE OF GREEN SPRINGS

SENECA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2011**