
**CITY OF GREENFIELD
HIGHLAND COUNTY
FINANCIAL STATEMENTS
DECEMBER 31, 2004**

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS



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**Auditor of State
Betty Montgomery**

City Council
City of Greenfield
300 Jefferson Street
Greenfield, Ohio 45123

We have reviewed the *Independent Auditor's Report* of the City of Greenfield, Highland County, prepared by Whited, Seigneur, Sams & Rahe, LLP, for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Greenfield is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 30, 2006

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**CITY OF GREENFIELD
HIGHLAND COUNTY**

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Whited Seigneur Sams & Rahe, LLP

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June 16, 2006

Members of Council
City of Greenfield
Highland County

Independent Auditor's Report

We have audited the accompanying financial statements of the City of Greenfield, Highland County, Ohio (the City) as of and for the year ended December 31, 2004. These financial statements are the responsibility of the City'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code § 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as described more fully in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operation, and cash flows, where applicable, of the City of Greenfield funds as of and for the year ended December 31, 2004 in accordance with accounting principles generally accepted in the United States of America.

The City 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 June 16, 2006 on our consideration of the City'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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF CASH, INVESTMENTS AND
FUND CASH BALANCES - ALL FUND TYPES
AS OF DECEMBER 31, 2004**

CASH AND CASH EQUIVALENTS	\$ 1,816,968
INVESTMENT	
Cemetery Bequest Stock Certificates	<u>200</u>
TOTAL	<u>\$ 1,817,168</u>
 CASH BALANCES BY FUND TYPE	
GOVERNMENTAL FUNDS	
General	\$ 599,809
Special Revenue	279,857
Debt Service	87
Capital Projects	142,309
 PROPRIETARY FUNDS	
Enterprise	723,252
 FIDUCIARY FUNDS	
Expendable Trust	25,216
Non-Expendable Trust	<u>46,638</u>
TOTAL	<u>\$ 1,817,168</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY
FUND TYPES - FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
CASH RECEIPTS						
Local Taxes	\$ 1,249,167	\$ 176,002	\$ 0	\$ 110,001	\$ 28,182	\$ 1,563,352
Intergovernmental Receipts	297,720	309,105	0	33,000	3,321	643,146
Charges for Services	62,882	78,496	0	0	0	141,378
Fines, Licenses and Permits	15,801	5,813	0	0	0	21,614
Earnings on Investments	99,771	11,034	0	5,947	0	116,752
Miscellaneous	49,686	6,097	0	17,219	0	73,002
TOTAL CASH RECEIPTS	<u>1,775,027</u>	<u>586,547</u>	<u>0</u>	<u>166,167</u>	<u>31,503</u>	<u>2,559,244</u>
CASH DISBURSEMENTS						
Security of Persons and Property	1,235,874	2,454	0	0	24,098	1,262,426
Public Health Services	2,400	116,515	0	0	0	118,915
Leisure Time Activities	0	56,034	0	0	0	56,034
Community Environment	57,708	15,622	0	33,000	0	106,330
Basic Utility Services	891	0	0	0	0	891
Transportation	361	168,749	0	0	0	169,110
General Government	769,292	0	0	0	0	769,292
Capital Outlay	241,331	232,502	0	75,296	0	549,129
Debt Service	0	0	1,418,692	0	0	1,418,692
TOTAL CASH DISBURSEMENTS	<u>2,307,857</u>	<u>591,876</u>	<u>1,418,692</u>	<u>108,296</u>	<u>24,098</u>	<u>4,450,819</u>
TOTAL CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	(532,830)	(5,329)	(1,418,692)	57,871	7,405	(1,891,575)
OTHER FINANCING SOURCES/(USES)						
Proceeds of Note	0	0	1,300,000	0	0	1,300,000
Sale of Fixed Assets	7,530	0	0	0	0	7,530
Transfer-In	0	0	118,692	0	0	118,692
Transfer-Out	0	0	0	(118,692)	0	(118,692)
Other Sources	20,763	12,378	0	0	2,350	35,491
Other Uses	(39,412)	(1,721)	0	0	(1,492)	(42,625)
TOTAL OTHER FINANCING SOURCES/(USES)	<u>(11,119)</u>	<u>10,657</u>	<u>1,418,692</u>	<u>(118,692)</u>	<u>858</u>	<u>1,300,396</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER/ (UNDER) DISBURSEMENTS & OTHER USES	(543,949)	5,328	0	(60,821)	8,263	(591,179)
BEGINNING FUND CASH BALANCE	<u>1,143,758</u>	<u>274,529</u>	<u>87</u>	<u>203,130</u>	<u>16,953</u>	<u>1,638,457</u>
ENDING FUND CASH BALANCE	<u>\$ 599,809</u>	<u>\$ 279,857</u>	<u>\$ 87</u>	<u>\$ 142,309</u>	<u>\$ 25,216</u>	<u>\$ 1,047,278</u>
RESERVE FOR ENCUMBRANCES	<u>\$ 213,597</u>	<u>\$ 7,018</u>	<u>\$ 0</u>	<u>\$ 6,117</u>	<u>\$ 337</u>	<u>\$ 227,069</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY
FUND TYPES - FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non- Expendable Trust</u>	
OPERATING RECEIPTS			
Charges for Services	\$ 1,116,916	\$ 0	\$ 1,116,916
Earnings on Investments	<u>0</u>	<u>2,358</u>	<u>2,358</u>
TOTAL OPERATING RECEIPTS	1,116,916	2,358	1,119,274
OPERATING DISBURSEMENTS			
Personal Services	393,487	0	393,487
Employer Benefits	558	0	558
Contractual Services	245,522	0	245,522
Supplies and Materials	169,959	1,422	171,381
Capital Outlay	<u>947,125</u>	<u>0</u>	<u>947,125</u>
TOTAL OPERATING DISBURSEMENTS	<u>1,756,651</u>	<u>1,422</u>	<u>1,758,073</u>
EXCESS OF CASH OPERATING RECEIPTS OVER/(UNDER) OPERATING DISBURSEMENTS	(639,735)	936	(638,799)
NON-OPERATING RECEIPTS			
Sale of Notes	369,233	0	369,233
Other Non-Operating Receipts	<u>95,000</u>	<u>0</u>	<u>95,000</u>
TOTAL NON-OPERATING RECEIPTS	464,233	0	464,233
NON-OPERATING DISBURSEMENTS			
Debt Service	<u>(105,985)</u>	<u>0</u>	<u>(105,985)</u>
TOTAL NON-OPERATING DISBURSEMENTS	<u>(105,985)</u>	<u>0</u>	<u>(105,985)</u>
NET RECEIPTS OVER/(UNDER) DISBURSEMENTS	(281,487)	936	(280,551)
BEGINNING FUND CASH BALANCE	<u>1,004,739</u>	<u>45,702</u>	<u>1,050,441</u>
ENDING FUND CASH BALANCE	<u>\$ 723,252</u>	<u>\$ 46,638</u>	<u>\$ 769,890</u>
RESERVE FOR ENCUMBRANCES	<u>\$ 138,184</u>	<u>\$ 0</u>	<u>\$ 138,184</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

FUND TYPES/FUNDS	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
GOVERNMENTAL			
General	\$ 1,735,439	\$ 1,803,320	\$ 67,881
Special Revenue	831,592	598,925	(232,667)
Debt Service	1,655,000	1,418,692	(236,308)
Capital Projects	120,000	166,167	46,167
PROPRIETARY			
Enterprise	1,813,000	1,581,149	(231,851)
FIDUCIARY			
Expendable Trust	30,700	33,853	3,153
Non-Expendable Trust	<u>3,000</u>	<u>2,358</u>	<u>(642)</u>
TOTAL (MEMORANDUM ONLY)	<u>\$ 6,188,731</u>	<u>\$ 5,604,464</u>	<u>\$ (584,267)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2004**

FUND TYPES/FUNDS	<u>Prior Year Carryover Appropriations</u>	<u>2004 Appropriations</u>	<u>Total</u>	<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At 12/31/04</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
GOVERNMENTAL							
General	\$ 79,734	\$ 2,804,003	\$ 2,883,737	\$ 2,347,269	\$ 213,597	\$ 2,560,866	\$ 322,871
Special Revenue	49,542	1,056,125	1,105,667	593,597	7,018	600,615	505,052
Debt Service	0	1,655,087	1,655,087	1,418,692	0	1,418,692	236,395
Capital Projects	17,706	305,425	323,131	226,988	6,117	233,105	90,026
PROPRIETARY							
Enterprise	210,691	2,607,049	2,817,740	1,862,636	138,184	2,000,820	816,920
FIDUCIARY							
Expendable Trust	0	43,119	43,119	25,590	337	25,927	17,192
Non-Expendable Trusts	<u>102</u>	<u>48,600</u>	<u>48,702</u>	<u>1,422</u>	<u>0</u>	<u>1,422</u>	<u>47,280</u>
TOTAL (MEMORANDUM ONLY)	<u>\$ 357,775</u>	<u>\$ 8,519,408</u>	<u>\$ 8,877,183</u>	<u>\$ 6,476,194</u>	<u>\$ 365,253</u>	<u>\$ 6,841,447</u>	<u>\$ 2,035,736</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

The City of Greenfield (the "City") was organized in 1941 as a municipal corporation under the laws of the State of Ohio. The City was recognized by the State of Ohio as a City after the 1960 federal census.

The City operates under a Council-Mayor form of government and provides the following services as authorized by state and local law: Public Service, Public Safety, Health, Recreation, and Development. Education services are provided by Greenfield Exempted City School District. The District is a separate governmental entity and its financial statements are not included in these financial statements.

The City's management believes these financial statements present all activities for which the City is financially accountable, except employee deferred compensation funds maintained by outside custodians are not included in these financial statements. These assets are described in Note 9 to the financial statements.

- **Basis of Accounting**

Although required by Ohio Administrative Code Section 117-6-01 to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting 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 formerly prescribed or permitted by the Auditor of State.

- **Pooled Cash and Cash Equivalents**

The City Treasurer invests all available funds of the City. City funds are invested in "Super Now" checking accounts with local commercial banks, as well as, in certificates of deposit. The City pools its cash for investment purposes to capture the highest rate of return. Investment income is distributed to City funds based upon the Ohio Constitution. The City carries all certificates of deposit as cash equivalents.

- **Fund Accounting**

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Fund Accounting (Continued)**

- **Governmental Funds**

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The City 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 city streets.

Cemetery Fund - This fund receives proceeds from burial fees and sale of lots and cornerstones for the maintenance and upkeep of the cemetery operated by the City.

Community Development Block Grants Fund - This fund accounts for federal block grant monies received through The Ohio Department of Development and spent for emergency home repair, downpayment assistance, rehabilitation of private and rental property, and downtown revitalization.

Capital Projects Funds - These funds account for the acquisition or construction of major capital facilities and capital improvements other than those financed by Proprietary Funds. They include projects financed by notes. The City had the following significant Capital Projects Funds:

City Building Renovation Project Fund - This fund receives income tax, grants, lease payments and proceeds from debt to renovate the City Building.

Street Paving Projects Fund - This fund receives a certain portion of cable franchise fees for various street paving projects.

- **Proprietary Funds**

Enterprise Funds - These funds account for operations that are similar to private business enterprises where management intends that the significant cost of providing certain goods and services will be recovered through user charges. The City had the following significant Enterprise funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Fund Accounting (Continued)**

- **Fiduciary Funds**

Trust Funds - These funds are used to account for resources by legally binding trust agreements. If the agreement requires the City to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The City had the following significant fiduciary funds:

Police Pension Fund -This fund is used to account for proceeds from property taxes for pension retirement payments for police department personnel.

Fire Pension Fund - This fund is used to account for proceeds from property taxes for pension retirement payments for fire department personnel.

Cemetery Trust - This fund is used to account for interest earned on a certain amount of principal and spent for the upkeep of specific graves and lots.

- **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds are legally required to be budgeted and appropriated. For all funds, Council appropriations are budgeted for fund, departmental and functional level. Any budgetary modifications at these levels may only be made by ordinance of the members of Council. The City follows these procedures in establishing the budgetary data reported in the combined financial statements.

Budget - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 the following year.

Estimated Resources - The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Budgetary Process (Continued)**

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances - The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

- **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.

- **Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected under the cash basis of accounting used by the City.

2. EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

The City maintains a cash and investment pool used by all funds of the City. Each fund's portion of this pool is displayed on the Statement of Cash, Investments and Fund Cash Balances. The deposits of each fund are held in this pool with other City funds.

Legal Requirements - Statutes require the classification of monies held by the City into two categories. Category 1 consists of "active" monies, those monies are required to be kept in "cash" or "near-cash" status for current demands upon the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "interim" monies in excess of the amount determined to be "active" monies. Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities are required to be direct issuances of federal government agencies or instrumentalities;

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

2. EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

3. Repurchase agreements in the securities enumerated above;
4. Time certificates of deposit or savings or deposits accounts, including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio or its political subdivisions, or other units or agencies of this state or its political subdivisions;
6. The State Treasurer's investment pool; and
7. No-Load money market mutual funds consisting exclusively of obligations described in division (B.) (1) (2) or (5) of Ohio Rev. Code Section 135.14.

The Governmental Accounting Standards Board has established credit risk categories for deposits and investments as follows:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

Deposits - At December 31, 2004, the carrying amount of the City's deposits was \$1,817,168 and the bank balance was \$1,979,324.

Of the bank balances for the year ended December 31, 2004, \$100,000 was covered by Federal Depository Insurance, and thus would belong in risk category (1).

For the year ended December 31, 2004, \$1,879,124 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. The code specifies that the total value of securities pledged as collateral must be at least equal to 100% of the total amount of the insured deposits, including any portion covered by federal deposit insurance. The code also specifies what kinds of securities are eligible to be pledged and what percentage of their face value counts as being eligible for collateral.

These deposits would belong in risk category (3).

Investments - The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the name of the City.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

2. EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Statutory provisions require that all securities acquired by the City be held by the City Treasurer or deposited with a qualified trustee unless the counter party is a designation for depositories, in which case the securities may be held in trust by the depository.

The only investment held by the City during the year ended December 31, 2004 was a cemetery bequest stock certificate from the Home Building and Loan Company in the amount of \$200 (cost and market value). This investment is classified as a category 1 investment.

3. DEBT OBLIGATIONS

Debt outstanding at December 31, 2004, consisted of the following:

	2004 Principal <u>Outstanding</u>	<u>Interest Rate</u>
Bond Anticipation Notes	\$ 1,300,000	2.30%
Ohio Water Development Authority Loan #2	1,177,373	9.48%
Ohio Public Works Commission Loan	124,644	3.00%
Public Security Note	369,233	4.50%

Bond anticipation notes were re-issued in anticipation of bonds of which proceeds were used for the renovation of the City Building that houses various departments of the City and Highland County Court.

The Ohio Water Development Authority (OWDA) loan is for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts.

The Ohio Public Works Commission (OPWC) loan is Issue II money borrowed for the Edgewood/McClain sanitary sewer replacement project.

The public security note was issued for the purpose of financing the South Street Water Line Replacement Project for the City of Greenfield. The original issue was for \$369,233.

The annual requirement to amortize all bonded debt and long-term loans outstanding as of December 31, 2004, including interest payments of \$650,016 are as follows:

Year Ending <u>12/31</u>	Bond Anticipation <u>Note</u>	OWDA <u>Loan #2</u>	OPWC <u>Loan</u>	Public Security <u>Note</u>	(Memorandum Only) <u>Total</u>
2005	\$1,329,900	\$ 339,937	\$ 15,906	\$ 46,581	\$1,732,324
2006	0	226,625	15,906	52,190	294,721
2007	0	226,625	15,906	50,529	293,060
2008	0	226,625	15,906	48,867	291,398
2009	0	226,625	15,906	47,206	289,737
2010-2014	0	453,250	55,671	211,105	720,026
Totals	<u>\$1,329,900</u>	<u>\$1,699,687</u>	<u>\$ 135,201</u>	<u>\$ 456,478</u>	<u>\$3,621,266</u>

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor re-appraises all real property every six years with a triennial update. The last update was completed for tax year 2003, and the reappraisal year was completed for tax year 2000.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2004, was \$2.70 per \$1,000 of assessed valuation. There was no adjustment of the rate for inflationary increase in property values, so the effective tax rate was \$2.70 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$2.70 per \$1,000 of assessed valuation for all other real estate property. Real property owners' tax bills are reduced by homestead and rollback deduction, when applicable. The amount of these homestead and roll back reductions is reimbursed by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including cost, by April 30, of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2004, was \$2.70 per \$1,000 of assessed valuation.

Real Property	
Residential/Agricultural	\$ 33,052,250
Commercial/Industrial	11,543,530
Public Utilities	6,270
Tangible Personal Property	6,982,629
Public Utilities	<u>1,430,710</u>
 Total Valuation	 <u>\$ 53,015,389</u>

The Highland County Treasurer collects all property tax on behalf of all taxing districts within the county. The Highland County Auditor periodically remits to the taxing districts their portions of the taxes collected.

5. LOCAL INCOME TAX

This locally levied tax of one and five-eighths percent is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the City limits. It also applies to net income of business organizations conducted within the City.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

6. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The City addresses these risks by maintaining a comprehensive risk management program, which includes coverage for the City, through the purchase of comprehensive insurance coverage with commercial carriers. General liability insurance is maintained in the amount of \$2,000,000 for each occurrence. Other liability insurance includes \$2,000,000 for automobile liability; \$2,000,000 errors and omissions; \$2,000,000 for law enforcement liability; and \$2,000,000 for public officials liability.

The City has had no significant reductions in any of its insurance coverage from that maintained in prior years. Additionally, there have been no insurance settlements that have exceeded insurance coverage in any of the past three years.

The City's exposure for the safety of its employees is covered by Ohio's Workers' Compensation department. The City carries commercial insurance for employee health and accident insurance. The City pays all elected and appointed officials' bonds by statute.

7. DEFINED BENEFIT RETIREMENT PLAN

Ohio Public Employees Retirement Plans: All employees of the City participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans:

The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earning thereon.

The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor, and post-retirement health care benefits to qualifying members of both the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

The Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations and the City is required to contribute 13.55%; 9.55% was the portion used to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

7. DEFINED BENEFIT RETIREMENT PLAN (CONTINUED)

The City's contributions to the PERS of Ohio for the years ending December 31, 2002, 2003, and 2004 were \$155,671, \$160,493, and \$171,110 respectively. These contributions were equal to the required contributions for each of the years.

Ohio Police and Fire Disability and Pension Fund: The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary, while employers are required to contribute 19.5% and 24% respectively for police officers and firefighters. The City's contributions to OP&F for the years ended December 31, 2002, 2003, and 2004 were \$202,636, \$221,838, and \$245,699 respectively. These contributions are equal to the required contributions for each year.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: The Ohio Public Employees Retirement System (the System) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit enrolled in the Traditional or Combined Plans. Members for the Member-Defined Plan do not qualify for ancillary benefits, including post-employment health care coverage. Health care coverage for disability benefit and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefits (OPEB) as described in GASB No. 12. A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 employer contribution rate for local government employers was 13.55% of covered payroll; 4% was the portion used to fund health care for 2004.

Benefits are advance funded using the entry age normal actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. Significant actuarial assumptions include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually, and an additional increase in total payroll of .50% to 6.3% based on additional pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% annually. OPEB are financed through employer contributions and investment earnings. At December 31, 2004, the total number of active contributing participants in the Traditional and Combined Plans was 369,885. As of December 31, 2003, the actuarial value of net assets available for future OPEB payments was \$10.5 billion. The actuarially accrued liability and the unfunded actuarial liability were \$26.9 billion and \$16.4 billion, respectively. The City's actual contributions for 2004, which were used to fund OPEB, were \$105,143.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

8. POSTEMPLOYMENT BENEFITS (CONTINUED)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Police and Fire Disability and Pension Fund: OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty-two if attending school full-time or on a two thirds basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll.

The Ohio Revised Code provides the statutory authority allowing OP&F's Board of Trustees to offer health care coverage to all eligible individuals.

Health care funding and accounting is on a pay-as-you go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.75% of covered payroll in 2004 and 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors had monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2003, (the latest information available) was 13,662 for Police and 10, 474 for Firefighters. The City's actual contributions for 2004 that were used to fund postemployment benefits was \$86,306 for Police and \$81,271 for Firefighters. The Fund's total health care expenses for the year ended December 31, 2003 were \$150,853,148, which was net of member contributions of \$17,207,506.

9. OHIO PUBLIC DEFERRED COMPENSATION PLAN

City employees and elected officials may participate in the Ohio Public Employees Deferred Compensation Program, created in accordance with Internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, and death or in the case of an unforeseeable emergency.

Under the Ohio Public Employees Deferred Compensation Program, all plan assets are now being held in a trust arrangement for the exclusive benefit of participants and their beneficiaries, as required by the Small Business Job Protection Act of 1996. Under this Act, all existing deferred compensation plans were required to implement such a trust arrangement by January 1, 1999. As a result, the assets of these plans are not reflected in the combined financial statements of the City.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

10. STATE AND FEDERAL GRANTS

The state and federal financial assistance grants are audited by the Independent Public Accountant, as part of their regular audit. Any instances of noncompliance with state and/or federal grant requirements and/or laws and regulations, if any, would be disclosed in a separate part of this presentation.

11. CASH OTHER

An out of balance condition exists at December 31, 2004 by the amount of \$25,765. Cash reconciliations were not performed during 2004. Although the City Auditor supposedly accounted for all deposits/credits and checks/debits per the bank statements and outstanding checklists were produced, a specific reconciliation between the bank balances and the total fund balances was not made. Consequently, it appears that an out of balance condition existed throughout the audit period and subsequently up through the date of this report. Bank records are showing more than the general journal by the amount stated above. This condition caused a reportable condition to be considered as a material weakness.

12. LEGAL COMPLIANCE/NONCOMPLIANCE

Pursuant to Section 117.11 of the Revised Code, the Independent Public Accountant performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate. The Auditor's recommendations and citations, if any, are included in a separate part of this presentation.

Ohio Administrative Code Section 117-6-01 requires that all cities are to report and prepare its financial report in accordance with generally accepted accounting principles.

The City prepares its financial statements on the basis of accounting formerly permitted or prescribed by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equity and disclosures that, which material, can not be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate was not obtained for Community Development Block Grant payments received and disbursed on behalf of the City of Greenfield by the Highland County Auditor in 2004. This is contrary with the Auditor of State's technical bulletin 2000-008. In 2004, reduced amended certificates were not obtained for the City's Cemetery, Community Development Block Grant, HUD Rehabilitation, Bond Retirement, Water, Sewer, Railroad and Cemetery Trust Funds. These funds' actual receipts were significantly less than estimated receipts and the amount of the deficiency reduced actual available resources below the level of appropriation.

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. An appropriation measure was not obtained for Community Development Block Grant payments received and disbursed on behalf of the City of Greenfield by the Highland County Auditor. This is contrary with the Auditor of State's technical bulletin 2000-008. Although there was no cash exchanged, the City did not appropriate and account for the payments made by the Highland County Auditor on behalf of the City of Greenfield.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

12. LEGAL COMPLIANCE/NONCOMPLIANCE (CONTINUED)

Ohio Rev. Code Section 5735.29, states that each Municipality shall use at least 90% of all Fuel Excise Taxes to supplement, rather than supplant, other local funds used for highway-related purposes. Using the suggested audit procedures provided in the *Ohio Compliance Supplement*, Chapter 6-4, our calculations showed the following:

Local Funds Disbursed for Highway Purposes:

	<u>2003</u>	<u>2004</u>
Street	\$ 227,546	\$ 186,192
State Highway	8,723	0
Permissive MVL	<u>0</u>	<u>40,000</u>
Total Funds	236,269	226,192
Subtract Fuel Excise Tax	<u>96,031</u>	<u>118,906</u>
Local Funds Spent	<u>\$ 140,238</u>	<u>\$ 107,286</u>
Change	(\$32,952)	
2004 Fuel Excise Tax	\$118,906	
times 10 percent	<u>X 10%</u>	
	\$ 11,891	

Since local highway funds' disbursements decreased by more than 10% of the 2004 Fuel Excise Tax, \$21,061 of fuel excise tax was used to supplant rather than supplement local funds in 2004.

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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June 16, 2006

Members of Council
City of Greenfield
Highland County
300 Jefferson Street
Greenfield, OH 45123

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the accompanying financial statements of the City of Greenfield, Highland County, Ohio (the City) as of and for the year ended December 31, 2004, and have issued our report thereon dated June 16, 2006. In our report, our opinion was adverse because the City followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America as required by Ohio Administrative Code § 117-2-03 (B). 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the City'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 an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-005.

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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition noted above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2004-001, 2004-002, 2004-003, and 2004-004.

We, also, noted certain additional matters that we have reported to management of the City in a separate letter dated June 16, 2006.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2004**

**Findings Related to the Financial Statements
Required to Be Reported in Accordance With GAGAS**

Finding Number 2004-001

Ohio Administrative Code Section 117-6-01 requires that all cities are to report and prepare its financial report in accordance with generally accepted accounting principles (GAAP).

The City prepares its financial statements on the basis of accounting formerly permitted or prescribed by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equity and disclosures that, which material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City. The City has been cited annually or biennially for this since October 16, 1998.

It is recommended that the City file its annual financial report to the Auditor of State's office in accordance with generally accepted accounting principles (GAAP).

Auditee's Response

GAAP will be implemented when funds are available.

Finding Number 2004-002

Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate was not obtained for Community Development Block Grant payments received and disbursed on behalf of the City of Greenfield by the Highland County Auditor in 2004. This is contrary with the Auditor of State's technical bulletin 2000-008. In 2004, reduced amended certificates were not obtained for the City's Cemetery, Community Development Block Grant, HUD Rehabilitation, Bond Retirement, Water, Sewer, Railroad and Cemetery Trust Funds. These funds' actual receipts were significantly less than estimated receipts and the amount of the deficiency reduced actual available resources below the level of appropriation. However, it should be noted that the City did not overspend actual available resources. Although it may have involved different funds, this Ohio Revised Code Section has been cited annually or biennially since April 26, 2002.

Auditee's Response

Funds will be monitored weekly and corrective action will be taken to reduce or increase amended certificates. Any adjustments will be considered primarily in the months of October and November prior to yearend.

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2004**

**Findings Related to the Financial Statements
Required to Be Reported in Accordance With GAGAS (Continued)**

Finding Number 2004-003

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. An appropriation measure was not obtained for Community Development Block Grant (CDBG) payments received and disbursed on behalf of the City of Greenfield by the Highland County Auditor. This is contrary with the Auditor of State's technical bulletin 2000-008. Although there was no cash exchanged, the City did not appropriate and account for the payments made by the Highland County Auditor on behalf of the City of Greenfield.

Auditee's Response

CDBG grants provided by the County will be recorded both for receipts and expenditures.

Finding Number 2004-004

Ohio Rev. Code Section 5735.29, states that each Township shall use at least 90% of all Fuel Excise Taxes to supplement, rather than supplant, other local funds used for highway-related purposes. Using the suggested audit procedures provided in the *Ohio Compliance Supplement*, Chapter 6-4, our calculations showed the following:

Local Funds Disbursed for Highway Purposes:

	<u>2003</u>	<u>2004</u>
Street	\$ 227,546	\$ 186,192
State Highway	8,723	0
Permissive MVL	<u>0</u>	<u>40,000</u>
Total Funds	236,269	226,192
Subtract Fuel Excise Tax	<u>96,031</u>	<u>118,906</u>
Local Funds Spent	<u>\$ 140,238</u>	<u>\$ 107,286</u>
Change	(\$32,952)	
2004 Fuel Excise Tax	\$118,906	
times 10 percent	<u>X 10%</u>	
	\$ 11,891	

Since local highway funds' disbursements decreased by more than 10% of the 2004 Fuel Excise Tax, \$21,061 of fuel excise tax was used to supplant rather than supplement local funds in 2004.

Auditee's Response

Auditee was not familiar with requirement until 2006.

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2004**

**Findings Related to the Financial Statements
Required to Be Reported in Accordance With GAGAS (Continued)**

Finding Number 2004-005

Cash reconciliations were not performed during 2004. Although the City Auditor supposedly accounted for all deposits/credits and checks/debits per the bank statements and outstanding checklists were produced, a specific reconciliation between the bank balances and the total fund balances was not made. Consequently, it appears that an out of balance condition existed throughout the audit period and subsequently up through the date of this report (Refer to Note 11 per the Notes to the Financial Statements).

We recommend that monthly cash reconciliations be performed showing all bank balances plus any deposits in transit less outstanding checks equaling the total of all fund balances. As for the out of balance condition, we recommend an adjustment be made to the general ledger in 2006 to bring the records in balance.

Auditee's Response

After taking office, the city auditor was unable to determine how the books were balanced and how to make an adjustment. She asked for help from the State Auditor's office and the City's software company and received no assistance. Assistance will be sought when correcting entry is to be made and from that point forward, all will be balanced in the proper format.

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315 (b)**

Findings for Federal Awards

Finding Number 2003-004

CFDA Title and Number	CDBG Community Housing Improvement Project/ CFDA#14.228 HOME Investment Partnerships CFDA #14.239
Federal Award Number/Year	A-C-02-128-1 A-C-02-128-2
Federal Agency	U.S. Department of Housing and Development
Pass-Through Agency	Ohio Department of Development

Cash Management – Fifteen-Day Rule

24 CFR 92.502 and Section (A)(3)(F) of the Ohio Department of Development's Office of Housing and Community Partnership Financial Management Rules and Regulations Handbook requires grantees to develop a cash management system that ensures compliance with the 15-Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of the receipt of funds.

Also, the grant agreements executed by and between the City of Greenfield and the State of Ohio, Department of Development, for the grant period September 1, 2002 through October 31, 2004, state in "Statement of the Agreement", Section 3, "...if the funds are not expended in accordance with terms, condition and time period set forth in the agreement... the amounts improperly expended or not expended shall be returned to the Grantor (Ohio Department of Development) within thirty (30) days of termination of the agreement".

We reviewed disbursements from the Community Housing Improvement and HOME Investment Partnerships to compare disbursement dates of payments to contractors to dates of drawdowns when received. Our testing showed that some payments tested, which were greater than \$5,000 each, were disbursed more than 15 days after receipt of the draw. These sections of the Code of Federal Regulations and the Handbook have been cited annually since April 26, 2002.

We recommend the City disburse federal funds within fifteen days of receipt to ensure they are promptly disbursing federal funds under these programs.

Status: Corrected. Drawdowns are sufficiently disbursed within 15 days after receipt of the drawdowns.

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315 (b)**

Finding Number 2003-005

CFDA Title and Number	CDBG Community Housing Improvement Project/ CFDA#14.228 HOME Investment Partnerships/ CFDA #14.239
Federal Award Number/Year	A-C-02-128-1 A-C-02-128-2
Federal Agency	U.S Department of Housing & Development
Pass-Through Agency	Ohio Department of Development (Partially)

Generally Accepted Accounting Principles

Article Seven of the Grant Agreements requires the City to keep federal accounting records in a manner consistent with generally accepted accounting principles. The City prepares its financial statement and maintains its accounting records, which include grant funds, on the basis of accounting formerly permitted or prescribed by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. This Article of the Grant agreement has been cited annually since April 26, 2002.

Status: Not Corrected

Finding Number 2003-006

CFDA Title and Number	CDBG Community Housing Improvement Project/ CFDA #14.228 Home Investments Partnership Program/ CFDA #14.239
Federal Award Number/Year	A-C-02-128-1 A-C-02-128-2
Federal Agency	U.S. Department of Housing and Development
Pass-Through Agency	Ohio Department of Development (Partially)

Reconciling City's Accounting Records with Administrator's Records

The Administrator maintains manual records for each grant but does not reconcile amounts with the City's accounting records.

We recommend the Administrator reconcile the manual records with the City's accounting records on a monthly basis. To facilitate this process, the City Auditor should create a fund for each grant and create accounts within the funds that parallel the Administrator's manual record accounts. This recommendation has been made in prior two annual audits since April 26, 2002.

Status: Corrected. City Auditor has created funds/accounts that parallel the Administrator's Community Development Block Grants for each program/project.



**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

CITY OF GREENFIELD

HIGHLAND 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
DECEMBER 12, 2006**