

City of Greenfield
Highland County

Regular Audit
For the Year Ended December 31, 2009 and 2008

Fiscal Years Audited Under GAGAS: 2009 and 2008



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Members of 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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2008 through December 31, 2009. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 20, 2010

**CITY OF GREENFIELD
HIGHLAND COUNTY
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the City of Greenfield, Highland County, (the City) as of and for the years ended December 31, 2009 and 2008. 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 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. We believe that our audit provides a reasonable basis for our opinion.

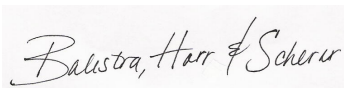
Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and 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, and results of operations of the City of Greenfield as of and for the years ended December 31, 2009 and 2008 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.

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City of Greenfield
Highland County
Independent Auditor's Report
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In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2010, on our consideration of the Government'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.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

May 26, 2010

**CITY OF GREENFIELD
HIGHLAND 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>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	
Cash Receipts:						
Property and Local Taxes	\$ 110,817	\$ 33,670	\$ -	\$ -	\$ -	\$ 144,487
Municipal Income Tax	1,071,697	69,581	-	94,710	-	1,235,988
Intergovernmental	282,182	213,051	-	-	-	495,233
Charges for Services	103,558	80,428	-	-	4,552	188,538
Fines, Licenses, and Permits	6,049	20,933	-	24,340	-	51,322
Earnings on Investments	29,604	2,731	-	1,333	1,284	34,952
Miscellaneous	21,168	4,625	-	-	-	25,793
Total Cash Receipts	<u>1,625,075</u>	<u>425,019</u>	<u>-</u>	<u>120,383</u>	<u>5,836</u>	<u>2,176,313</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	931,500	63,706	-	-	-	995,206
Public Health Service	2,400	84,422	-	-	1,761	88,583
Leisure Time Activities	-	25,529	-	-	-	25,529
Community Environment	-	15,490	-	-	-	15,490
Basic Utility Services	1,313	-	-	-	-	1,313
Transportation	-	180,291	-	-	-	180,291
General Government	475,087	-	-	-	-	475,087
Capital Outlay	-	20,586	-	14,712	-	35,298
Debt Service						
Principal Payment	-	-	825,000	75,000	-	900,000
Interest and Fiscal Charges	-	-	-	21,315	-	21,315
Total Cash Disbursements	<u>1,410,300</u>	<u>390,024</u>	<u>825,000</u>	<u>111,027</u>	<u>1,761</u>	<u>2,738,112</u>
Total Cash Receipts Over/(Under) Cash Disbursements	214,775	34,995	(825,000)	9,356	4,075	(561,799)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	-	-	825,000	-	-	825,000
Sale of Fixed Assets	4,557	-	-	-	-	4,557
Other Sources	13,497	8,785	-	-	-	22,282
Other Uses	-	(4,970)	-	(4,265)	-	(9,235)
Total Other Financing Receipts/(Disbursements)	<u>18,054</u>	<u>3,815</u>	<u>825,000</u>	<u>(4,265)</u>	<u>-</u>	<u>842,604</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	232,829	38,810	-	5,091	4,075	280,805
Fund Cash Balances, January 1	28,136	163,386	-	42,474	47,112	281,108
Fund Cash Balances, December 31	<u>\$ 260,965</u>	<u>\$ 202,196</u>	<u>\$ -</u>	<u>\$ 47,565</u>	<u>\$ 51,187</u>	<u>\$ 561,913</u>
Reserve for Encumbrances, December 31	<u>\$ 47,786</u>	<u>\$ 11,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,567</u>

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

**CITY OF GREENFIELD
HIGHLAND COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,692,060
Miscellaneous	20,659
	1,712,719
Total Operating Cash Receipts	1,712,719
Operating cash disbursements	
Personal services	504,602
Fringe benefits	1,450
Contractual services	299,376
Supplies and Materials	229,136
Capital outlay	2,189,404
	3,223,968
Total Operating Cash Disbursements	3,223,968
Operating Income/(Loss)	(1,511,249)
Non-Operating Cash Receipts/Disbursements	
Intergovernmental	76,785
Other Non-operating Receipts	-
Proceeds of OWDA Loan	1,874,001
Principal	(271,875)
Interest	(168,539)
	1,510,372
Total Non-Operating Cash Receipts (Disbursement)	1,510,372
Net Cash Receipts Over/(Under) Cash Disbursements	(877)
Fund Cash Balances, January 1	747,470
	746,593
Fund Cash Balances, December 31	\$ 746,593
Reserve for Encumbrances, December 31	\$ 1,750
	1,750

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

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types					Totals
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	(Memorandum Only)
Cash Receipts:						
Property and Local Taxes	\$ 104,300	\$ 32,656	\$ -	\$ -	\$ -	\$ 136,956
Municipal Income Tax	1,076,766	165,642	-	103,525	-	1,345,933
Intergovernmental	223,982	236,420	-	-	-	460,402
Charges for Services	83,753	102,653	-	-	3,302	189,708
Fines, Licenses, and Permits	5,588	917	-	49,148	-	55,653
Earnings on Investments	24,633	3,745	-	1,517	1,214	31,109
Miscellaneous	31,497	11,439	-	-	-	42,936
Total Cash Receipts	<u>1,550,519</u>	<u>553,472</u>	<u>-</u>	<u>154,190</u>	<u>4,516</u>	<u>2,262,697</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	1,006,692	29,047	-	-	-	1,035,739
Public Health Service	2,400	113,624	-	-	-	116,024
Leisure Time Activities	-	64,727	-	-	-	64,727
Community Environment	8,803	20,574	-	-	-	29,377
Basic Utility Services	1,289	-	-	-	-	1,289
Transportation	-	231,826	-	-	-	231,826
General Government	578,479	-	-	-	2,198	580,677
Capital Outlay	1,512	144,578	-	29,640	-	175,730
Debt Service						
Principal Payment	-	-	900,000	100,000	-	1,000,000
Interest and Fiscal Charges	-	-	-	35,822	-	35,822
Total Cash Disbursements	<u>1,599,175</u>	<u>604,376</u>	<u>900,000</u>	<u>165,462</u>	<u>2,198</u>	<u>3,271,211</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(48,656)	(50,904)	(900,000)	(11,272)	2,318	(1,008,514)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	-	-	900,000	-	-	900,000
Advances-In	43,792	-	-	-	-	43,792
Other Sources	18,770	17,279	-	-	-	36,049
Other Uses	(33,314)	(2,675)	-	-	-	(35,989)
Total Other Financing Receipts/(Disbursements)	<u>29,248</u>	<u>14,604</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>943,852</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,408)	(36,300)	-	(11,272)	2,318	(64,662)
Fund Cash Balances, January 1	47,544	199,686	-	53,746	44,794	345,770
Fund Cash Balances, December 31	<u>\$ 28,136</u>	<u>\$ 163,386</u>	<u>\$ -</u>	<u>\$ 42,474</u>	<u>\$ 47,112</u>	<u>\$ 281,108</u>
Reserve for Encumbrances, December 31	<u>\$ 15,197</u>	<u>\$ 28,164</u>	<u>\$ -</u>	<u>\$ 14,670</u>	<u>\$ -</u>	<u>\$ 58,031</u>

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

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 1,630,690
Miscellaneous	1,115
	<u>1,631,805</u>
Total Operating Cash Receipts	<u>1,631,805</u>
Operating cash disbursements	
Personal services	499,899
Fringe benefits	2,805
Contractual services	257,765
Supplies and Materials	229,895
Capital outlay	197,344
	<u>1,187,708</u>
Total Operating Cash Disbursements	<u>1,187,708</u>
Operating Income/(Loss)	444,097
Non-Operating Cash Receipts/Disbursements	
Intergovernmental	75,000
Proceeds of Note	394,191
Principal	(496,127)
Interest	(248,113)
Advance Out	(43,792)
	<u>(318,841)</u>
Total Non-Operating Cash Receipts (Disbursement)	<u>(318,841)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	125,256
Fund Cash Balances, January 1	<u>622,214</u>
Fund Cash Balances, December 31	<u><u>\$ 747,470</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 68,886</u></u>

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

**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 8 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 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 purpose 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:

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Governmental Funds (CONT'D)

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.

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.

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 Project Fund – This fund receives a certain portion of cable franchise fees for various street paving projects.

Permanent Fund – This fund accounts for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

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

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 (CONT'D)

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 appropriations 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.

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.

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

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 withdrawal 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;
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 or obligations described in division (B) (1) (2) or (5) of Ohio Rev. Code Section 135.14.

Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Educational Service Center's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Educational Service Center's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of December 31, 2009 and 2008, the City's bank balance of \$1,611,332 and \$1,096,412 is either covered by FDIC or collateralized by the financial institutions' public entity pools in the manner described above.

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 included 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 (CONT'D)

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 years ended December 31, 2009 and 2008 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, 2009 and 2008 consisted of the following:

	2009 Principal Outstanding	2008 Principal Outstanding	Interest
Bond Anticipation Notes	\$ 825,000	\$ 900,000	4.00%
Ohio Water Development Authority Loans	3,033,612	1,538,283	3.62 - 9.48%
Ohio Public Works Commission Loans	183,737	66,491	3.00%
USDA Loan	25,000	-	4.38%
Public Security Note	205,444	240,893	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) loans #1603, 4677 and 4882 are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts. In 2009 the City received proceeds of loans for OWDA #4882 in the amount of \$1,719,524 and made principal payments of \$37,776.

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.

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

3. DEBT OBLIGATIONS (Continued)

The annual requirement to amortize all bonded debt and long-term loans outstanding as of December 31, 2009, including interest payments of \$1,903,149 are as follows:

Year Ending 12/31	Bond Anticipation Note	OWDA Loan	OPWC Loans	USDA	Public Security Note	Total (Memorandum Only)
2010	\$ 858,000	\$ 380,441	\$ 23,198	\$ 5,674	\$ 46,812	\$ 1,314,125
2011	-	380,441	22,388	5,674	46,812	455,315
2012	-	153,816	31,033	5,674	46,812	237,335
2013	-	153,816	7,292	5,674	46,812	213,594
2014	-	153,816	7,292	5,437	44,662	211,207
2015-2019	-	769,080	36,460	-	-	805,540
2020-2024	-	769,080	36,460	-	-	805,540
2025-2029	-	769,080	29,174	-	-	798,254
2030-3034	-	769,080	-	-	-	769,080
2035-2039	-	565,952	-	-	-	565,952
Total	\$ 858,000	\$ 4,864,602	\$ 193,297	\$ 28,133	\$ 231,910	\$ 6,175,942

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.

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 City.

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.

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.

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

6. RISK MANAGEMENT (Continued)

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 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. RETIREMENT SYSTEM

Some City Council members have elected to belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2009 and 2008, OP&F participants contributed 10% of their wages. The City contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. OPERS members contributed 10.0% of their wages. The City contributed an amount equal to 14.0% of participants' gross salaries for 2007 and 2006. The City has paid all contributions required through December 31, 2009.

8. 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.

9. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 was as follows:

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,695,209	\$ 1,643,129	\$ (52,080)
Special Revenue	536,230	433,804	(102,426)
Debt Service	120,000	825,000	705,000
Capital Project	120,000	120,383	383
Permanent	4,550	5,836	1,286
Enterprise	4,293,133	3,663,505	(629,628)
Total	<u>\$ 6,769,122</u>	<u>\$ 6,691,657</u>	<u>\$ (77,465)</u>

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

9. BUDGETARY ACTIVITY (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$ 1,498,640	\$ 1,458,086	\$ 40,554
Special Revenue	653,544	406,775	246,769
Debt Service	825,000	825,000	-
Capital Project	120,000	115,292	4,708
Permanent	45,000	1,761	43,239
Enterprise	4,386,919	3,666,132	720,787
Total	<u>\$ 7,529,103</u>	<u>\$ 6,473,046</u>	<u>\$ 1,056,057</u>

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,725,935	\$ 1,613,081	\$ (112,854)
Special revenue	546,100	570,751	24,651
Debt Service	120,000	900,000	780,000
Capital Project	120,000	154,190	34,190
Permanent	5,800	4,516	(1,284)
Enterprise	5,827,000	2,100,996	(3,726,004)
Total	<u>\$ 8,344,835</u>	<u>\$ 5,343,534</u>	<u>\$ (3,001,301)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$ 1,750,758	\$ 1,647,686	\$ 103,072
Special Revenue	1,179,606	635,215	544,391
Debt Service	120,000	900,000	(780,000)
Capital Project	155,712	180,132	(24,420)
Permanent	47,794	2,198	45,596
Enterprise	6,186,618	2,044,626	4,141,992
Total	<u>\$ 9,440,488</u>	<u>\$ 5,409,857</u>	<u>\$ 4,030,631</u>

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

10. ADVANCES

The City repaid an advance that was misclassified during prior audit periods. The City had advanced monies from the General fund to the Sewer fund to pay for a project; however it was not recorded in the City's financial statements properly. The following shows the repayment made during this audit period.

Fund	Advance From	Advance to
General Fund	\$ -	\$ 43,792
Sewer Fund	43,792	-
Total	\$ 43,792	\$ 43,792

11. COMPLIANCE AND ACCOUNTABILITY

Compliance

Contrary to Ohio Revised Code Section 117.38, the City has elected to prepare its annual financial report on a cash basis and not in accordance with generally accepted accounting principles for both fiscal years 2009 and 2008.

Contrary to Ohio Revised Code Section 5705.36(A)(4), the City did not properly request a reduced amended certificate of estimated resources.

12. CONTINGENT LIABILITIES

At December 31, 2009, there was one lawsuit pending against the City in the Court of Appeals. The City's legal counsel is uncertain as to the exact outcome of the lawsuit, but does not estimate any liability on the City's part.



**Report On Internal Control Over Financial Reporting and On Compliance and Other Matters
Required by *Government Auditing Standards***

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

We have audited the financial statements of the City of Greenfield, Highland County, (the City) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 26, 2010. In our report, our opinion was adverse because the City reported on a basis formerly prescribed or permitted by the Auditor of State rather than accounting principles generally accepted in the United States of America. 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 City'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 City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency or combination of deficiencies in internal controls such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider significant deficiencies in internal controls over financial reporting. We consider findings 2009-003 through 2009-005 to be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

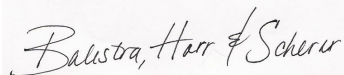
We also noted certain Internal Control matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated May 26, 2010.

Compliance and Other Matters

As part of reasonably assuring whether the City'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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2009-001, and 2009-002.

We also noted certain compliance and other matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated May 26, 2010.

We intend this report solely for the information and use of the City Council, and members of management. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 26, 2010

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

FINDING NUMBER 2009-001

Material Non-compliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38

Ohio Admin Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, the City prepared its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the City may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The City should prepare its annual financial report in accordance with generally accepted accounting principles.

Client Response:

The City will outsource the GAAP reporting requirement in the future.

FINDING NUMBER 2009-002

Material Non-Compliance

Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Upon comparison of appropriations to available resources (defined as unencumbered beginning balance plus estimated receipts), the auditor noted 2009 appropriations were in excess of available resources in the Street Fund by \$4,551, and the Sewer Fund by \$252,072. In 2008, appropriations were in excess of available resources in the General Fund by \$100,182, the Cemetery Fund by \$1,376 and the Sewer Fund by \$3,861,906.

The Township should implement monitoring procedures to ensure compliance with 5705.36(A)(4). Establishment of procedures for monitoring the compliance with this requirement helps to ensure that monies are not expended in excess of allowable limits.

Client Response:

Appropriations and fund balances are reviewed daily. Appropriations and revenue will be adjusted as necessary.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
(Continued)**

FINDING NUMBER 2009-003

Significant Deficiency

During the course of the audit a lack of segregation of duties were identified. Money received, calculated and deposited all by the same employee. Also, bank reconciliations were not being reviewed by anyone.

By not having the proper segregation of duties there is a lack of control which has the potential for errors, irregularities and increases the risk of fraud. By not reviewing bank reconciliations could potentially lead to a misstatement of cash or fraud.

The City should implement the proper segregation of duties and have the bank reconciliations approved to ensure that controls are in place and operating.

Client Response:

Duties in the Finance Department are as segregated as possible. Bank Reconciliations will be reviewed within the department.

FINDING NUMBER 2009-004

Significant Deficiency

Sound financial reporting is the responsibility of the City's Auditor and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. There were several audit adjustments/reclassifications were made to the financial statements and, where applicable, to the City's accounting records.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The City should develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the City.

Client Response:

It is the goal of the Auditor to maintain and provide quality controls. Additional policies and procedures will be developed. Ongoing training will be part of this policy.

FINDING NUMBER 2009-005

Significant Deficiency

During the course of the audit, misstatements were identified in relations to recording receipts in the net amount instead of recording the receipts in the gross amount. Receipts should be posted in the gross amount and report all fees as expenditures.

By not reporting receipts in the gross amount will cause an understatement of receipts and expenditures.

The City should post all receipts in their gross amount and report all fees as expenditures.

Clients Response:

Appropriation lines have been founded and gross receipts are posted.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2007-001	Ohio Admin Code Section 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. The County filed its report using the cash basis of accounting.	No	Not Corrected. Reissued as 2009-001.
2007-002	Ohio Revised Code Section 5705.36 allow all subdivisions to request increased amended certificates of estimated resources	No	Not Corrected. Reissued as 2009-002.
2007-003	Ohio Revised Code Section 5705.41(D) states that no subdivision is to expend monies until it has been certified by the fiscal officer.	Yes	
2007-004	Significant Deficiency – recording tax settlement receipts in the net and not the gross.	Yes	Not Corrected Reissued as 2009-005
2007-005	Significant Deficiency – Lack of segregation of duties.	No	Not Corrected. Reissued as 2009-003
2007-006	Significant Deficiency – Audit adjustments /reclassifications were posted to the prior audit financial statements	No	Not Corrected. Reissued as 2009-004
2007-007	Federal Noncompliance Citation – Not expending monies within 15 days of the draw request.	Not Applicable	Finding No Longer Valid; A single audit was not required
2007-008	Federal Noncompliance Citation – Not keeping federal accounting records in a manner consistent with GAAP	Not Applicable	Finding No Long Valid; A single audit was not required.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 30, 2010**