



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

VILLAGE OF GREENFIELD
HIGHLAND COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Greenfield, Highland County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Village of Greenfield is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

September 17, 2012

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Village of Greenfield
Highland County
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Financial Statements	
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis) All Governmental Fund Types.....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis) All Proprietary Fund Types.....	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings and Responses	15
Schedule of Prior Audit Findings.....	18

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Village of Greenfield, Highland County, (the Village) as of and for the year ended December 31, 2011. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2011 do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011, or its changes in financial position or cash flows, where applicable for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Greenfield, Highland County, as of December 31, 2011, and its combined cash receipts, disbursements and encumbrances for the year then ended on the accounting basis Note 1 describes.

As described in Note 14, during 2011 the Village of Greenfield adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance and Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting and compliance, and the results of that testing. The 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.



Balestra, Harr & Scherer, CPAs, Inc.
June 22, 2012

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY**

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

	<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	\$ 92,005	\$ 14,903	\$ -	\$ -	\$ -	\$ 106,908
Municipal Income Tax	879,961	134,188	-	99,657	-	1,113,806
Intergovernmental	320,669	240,439	-	-	-	561,108
Charges for Services	36,553	50,178	-	-	1,650	88,381
Fines, Licenses, and Permits	9,768	2,212	-	31,956	-	43,936
Earnings on Investments	6,732	409	-	248	277	7,666
Miscellaneous	9,991	14,495	-	669	-	25,155
Total Cash Receipts	<u>1,355,679</u>	<u>456,824</u>	<u>-</u>	<u>132,530</u>	<u>1,927</u>	<u>1,946,960</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	606,217	12,476	-	-	-	618,693
Public Health Service	-	80,586	-	-	85	80,671
Leisure Time Activities	-	23,000	-	-	-	23,000
Community Environment	-	113,372	-	-	-	113,372
Basic Utility Services	56,995	-	-	-	-	56,995
Transportation	-	176,943	-	14,505	-	191,448
General Government	419,575	-	-	350	-	419,925
Capital Outlay	33,107	60,509	-	10,500	-	104,116
Debt Service:						
Redemption of Principal	149,454	2,980	565,041	40,505	-	757,980
Interest and Fiscal Charges	3,421	406	9,959	714	-	14,500
Total Cash Disbursements	<u>1,268,769</u>	<u>470,272</u>	<u>575,000</u>	<u>66,574</u>	<u>85</u>	<u>2,380,700</u>
Excess of Receipts Over (Under) Disbursements	86,910	(13,448)	(575,000)	65,956	1,842	(433,740)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	-	-	575,000	-	-	575,000
Advances-Out	(36,000)	-	-	-	-	(36,000)
Total Other Financing Receipts/(Disbursements)	<u>(36,000)</u>	<u>-</u>	<u>575,000</u>	<u>-</u>	<u>-</u>	<u>539,000</u>
Net Changes in Fund Balance	50,910	(13,448)	-	65,956	1,842	105,260
Fund Cash Balances, January 1	<u>516,041</u>	<u>166,596</u>	<u>-</u>	<u>36,831</u>	<u>53,367</u>	<u>772,835</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	55,209	55,209
Committed	-	-	-	83,537	-	83,537
Restricted	-	153,148	-	19,250	-	172,398
Assigned	68,748	-	-	-	-	68,748
Unassigned (Deficit)	498,203	-	-	-	-	498,203
Fund Cash Balances, December 31	<u>\$ 566,951</u>	<u>\$ 153,148</u>	<u>\$ -</u>	<u>\$ 102,787</u>	<u>\$ 55,209</u>	<u>\$ 878,095</u>

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

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY**

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 1,782,823
Miscellaneous	16,376
	<hr/>
Total Operating Cash Receipts	1,799,199
	<hr/>
Operating cash disbursements	
Personal services	425,568
Fringe benefits	136,616
Contractual services	215,133
Supplies and Materials	318,285
Capital outlay	1,499,437
	<hr/>
Total Operating Cash Disbursements	2,595,039
	<hr/>
Operating Income/(Loss)	(795,840)
	<hr/>
Non-Operating Cash Receipts (Disbursements)	
Intergovernmental	585,134
Capital Contributions	97,119
Loan Proceeds	690,758
Principal	(417,827)
Interest	(133,471)
	<hr/>
Total Non-Operating Cash Receipts (Disbursement)	821,713
	<hr/>
Income (Loss) before Advances	25,873
	<hr/>
Advances-In	36,000
	<hr/>
Net Change in Fund Balance	61,873
	<hr/>
Fund Cash Balances, January 1	457,591
	<hr/>
Fund Cash Balances, December 31	<u>\$ 519,464</u>
	<hr/>
Reserve for Encumbrances, December 31	<u><u>\$ 1,750</u></u>

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

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The Village of Greenfield (the "Village") was organized in 1941 as a municipal corporation under the laws of the State of Ohio. The Village was recognized by the State of Ohio as a Village after the 2010 federal census. The Village had been previously recognized as a City since the 1960 census.

The Village operates under a Village Manager form of government and provides the following services as authorized by state and local law: Water and sewer utilities, police services, cemetery operation, public service, public safety, health, recreation and development.

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

Basis of Accounting

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

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

Deposits and Investments

The Village Finance Director invests all available funds of the Village. Village funds are invested in "Super Now" checking accounts with local commercial banks. The Village pools its cash for investment purpose to capture the highest rate of return. Investment income is distributed to Village funds based upon the Ohio Constitution.

Fund Accounting

The Village 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.

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 Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

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 Village.

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

Governmental Funds (Cont'd)

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, down payment 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 Village had the following significant Capital Projects Funds:

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

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 Village 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 Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

Budgetary Process (Cont'd)

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 Village 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 Village 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. The Village did not encumber all commitments required by Ohio law.

Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

Fund Balance (Cont'd)

5. Unassigned

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

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

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 Village.

2. EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

The Village maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2011 are as follows:

	2011
Demand Deposits	\$ 1,390,403
Petty Cash	400
Cemetery Trust	200
Total Deposits	\$ 1,391,003

3. CHANGE IN STATUS

As of January 1, 2011, the City of Greenfield was declared a Village as a result of the 2010 census.

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2011 consisted of the following:

	2011 Principal Outstanding	Interest
Bond Anticipation Notes	\$ 575,000	4.00%
Ohio Water Development Authority Loans	2,970,521	3.62 - 9.48%
Ohio Public Works Commission Loans	623,161	0.00 - 3.00%
USDA Loan	15,000	4.38%
Public Security Note	128,816	4.50%
General Obligation Note	19,066	4.35%
Total	\$ 4,331,564	

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

The Ohio Water Development Authority (OWDA) loans #1603, 4677, 4882 and 5938 are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts. In 2011 the Village received proceeds of loans for OWDA #5938 in the amount of \$429,264. In 2011 the Village received \$97,119 in proceeds of loans for OWDA Loan # 5482 which were then paid off via grants from the Ohio EPA for the same amount.

The Ohio Public Works Commission (OPWC) loans are for Issue II money borrowed for the Edgewood/McClain sanitary sewer replacement project and the Wastewater Treatment Plant Improvements. In 2011 the Village received \$164,375 in loan proceeds for Loan O12k.

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

The United States Department of Agriculture (USDA) loan proceeds were used for the purchase of a police vehicle. The Village's General Obligation note's proceeds were for the purchase of a skid loader.

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

4. DEBT OBLIGATIONS (CONT'D)

The annual requirement to amortize all bonded debt and long-term loans outstanding as of December 31, 2011, including interest payments of \$1,157,317 are as follows:

Year Ending 12/31	Bond Anticipation Note	OWDA Loan	OPWC Loans	USDA	Public Security Note	General Obligation Note	Total (Memorandum Only)
2012	\$ 586,500	\$ 76,909	\$ 37,953	\$ 5,656	\$ 46,812	\$ 10,159	\$ 763,989
2013	-	153,816	45,789	5,437	46,812	10,159	262,013
2014	-	153,816	30,000	5,219	44,662	-	233,697
2015	-	153,816	30,000	-	-	-	183,816
2016	-	153,816	30,000	-	-	-	183,816
2017-2021	-	769,080	150,000	-	-	-	919,080
2022-2026	-	769,080	150,000	-	-	-	919,080
2027-2031	-	769,080	150,000	-	-	-	919,080
2032-2036	-	769,080	-	-	-	-	769,080
2037-2039	-	335,230	-	-	-	-	335,230
Total	\$ 586,500	\$ 4,103,723	\$ 623,742	\$ 16,312	\$ 138,286	\$ 20,318	\$ 5,488,881

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. LOCAL INCOME TAX

The Village levies a municipal income tax 1.625 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

8. RETIREMENT SYSTEM

The Village's full-time police officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement Systems (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

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

9. 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.

10. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2011 was as follows:

2011 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,097,774	\$ 1,355,679	\$ 257,905
Special Revenue	661,645	456,824	(204,821)
Debt Service	575,000	575,000	-
Capital Project	120,000	132,530	12,530
Permanent	3,000	1,927	(1,073)
Enterprise	5,101,182	3,443,362	(1,657,820)
Total	<u>\$ 7,558,601</u>	<u>\$ 5,965,322</u>	<u>\$ (1,593,279)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$ 1,395,964	\$ 1,337,517	\$ 58,447
Special Revenue	659,156	482,053	177,103
Debt Service	575,000	575,000	-
Capital Project	132,000	66,754	65,246
Permanent	52,000	85	51,915
Enterprise	3,642,876	3,148,087	494,789
Total	<u>\$ 6,456,996</u>	<u>\$ 5,609,496</u>	<u>\$ 847,500</u>

The amount of encumbrances for the General Fund and Special Revenue Funds were \$68,748 and \$11,781, respectively.

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

11. ADVANCES

The Village's General Fund advanced funds to the Railroad Fund to assist in paying for track renovations and maintenance fees.

Fund	Advance From	Advance to
General Fund	\$ 36,000	\$ -
Railroad Fund	-	36,000
Total	<u>\$ 36,000</u>	<u>\$ 36,000</u>

12. COMPLIANCE AND ACCOUNTABILITY

Compliance

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

Contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly encumber funds before expenditures were processed.

13. CONTINGENT LIABILITIES

At December 31, 2011, there was one lawsuit pending against the Village in the Court of Appeals. The Village's legal counsel is uncertain as to the exact outcome of the lawsuit, but does not estimate any liability on the Village's part.

14. NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2011, the Village implemented the provisions of GASB Statement Number 54, Fund Balance Classifications, as it applies to the Village's Statutory Basis of Accounting. The implementation of GASB 54 had no effect on beginning balances for the Village. The constraints placed on fund balance for each fund type are presented as follows:

Fund Balances	General Fund	Special Revenue	Debt Service	Capital Projects	Permanent Fund	Total
<i>Nonspendable</i>						
Cemetery Trust	\$ -	\$ -	\$ -	\$ -	\$ 55,209	\$ 55,209
<i>Total Nonspendable</i>	-	-	-	-	55,209	55,209
<i>Committed to</i>						
City Hall Improvements	-	-	-	83,537	-	83,537
<i>Total Committed</i>	-	-	-	83,537	-	83,537
<i>Restricted for</i>						
Street Improvements	-	87,488	-	19,250	-	106,738
Cemetery Maintenance	-	23,981	-	-	-	23,981
Park Maintenance	-	30,269	-	-	-	30,269
Other Purposes	-	11,410	-	-	-	11,410
<i>Total Restricted</i>	-	153,148	-	19,250	-	172,398
<i>Assigned to</i>						
Other Purposes	68,748	-	-	-	-	68,748
<i>Total Assigned</i>	68,748	-	-	-	-	68,748
<i>Unassigned</i>	498,203	-	-	-	-	498,203
<i>Total Fund Balance</i>	<u>\$ 566,951</u>	<u>\$ 153,148</u>	<u>\$ -</u>	<u>\$ 102,787</u>	<u>\$ 55,209</u>	<u>\$ 878,095</u>



Balestra, Harr & Scherer, CPAs, Inc.

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

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

We have audited the financial statements of Village of Greenfield, Highland County, Ohio, (the Village), as of and for the years ended December 31, 2011, and have issued our report thereon dated June 22, 2012 wherein we noted that the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and that the Village implemented Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2011-002 and 2011-003.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 22, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinions on it.

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



Balestra, Harr & Scherer, CPAs, Inc.
June 22, 2012

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

FINDING NUMBER 2011-001

Material Weakness Over Financial Accounting and Reporting

The Village has experienced accounting and reporting issues as evidenced by the material reclassifications made and report findings.

Financial information is vital to an organization's management in its continual effort to effectively make decisions to guide the organization. It is also important for management to receive timely feedback on the reliability of financial information summarized in the financial statements, notes to the financial statements, and schedules used to make these decisions.

There was an obvious lack of controls over the financial accounting process, which need to be addressed promptly. The accounting system used is cumbersome.

Failure to implement controls over the financial accounting process has resulted in the Village's records being inaccurate.

The accompanying financial statements were adjusted to reflect audit reclassifications to the following line items:

- Recording of Intergovernmental Revenue as Charge for Service Revenue in the Sewer Fund.
- Recording of Debt Proceeds in the Debt Service Fund and Sewer Fund
- Separation of Interest from posted Principal payments in the General Fund, Street Paving Fund, Debt Service Fund, Capital Improvement City Hall Fund, Water Fund and Sewer Fund.
- Improper implementation of GASB Statement No. 54.

The Village should implement application and monitoring controls to ensure that financial statement balances are accurately and completely stated.

Client Response:

The Village will maintain quality controls through newly developed policies and procedures.

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

FINDING NUMBER 2011-002

Material Non-Compliance

Ohio Revised Code, Section 5705.36 (A) states in part that the total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund in the official certificate of estimated resources, or any amendment thereof, certified prior to the making of the appropriation or supplemental appropriation.

The Water and Sewer funds had appropriations in excess available resources (unencumbered cash balance and actual receipts) by 352,502 and 295,030, respectively.

The Village should request reduced amended certificates of estimated resources and amend appropriations if it is discovered during the course of the fiscal year that available resources will not exceed the original appropriations. The Village should implement monitoring procedures to ensure compliance with 5705.36 (A). 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 and will be adjusted as necessary.

FINDING NUMBER 2011-003

Material Non-Compliance

Ohio Rev. Code, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate – If the fiscal officer can certify that both at the time That the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment or the amount due. The Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

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

- B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any on particular line item appropriation.
- C. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

FINDING NUMBER 2011-003 (CONT'D)

professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Multiple expenditures were not properly encumbered prior to orders/contracts being made. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Village should certify purchases to which 5705.41 (D) applies. The Village should generate a purchase order for all expenditures before placing an order. If a purchase must be made in an emergency, the purchase order should be documented with a "Then and Now" certificate. A copy of the purchase order should be attached to all voucher packets for proper documentation.

Client Response:

The Village received a software upgrade to address Then and Now purchases in June 2012. This will be implemented in the future.

**VILLAGE OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	Material Weakness Over Financial Accounting and Reporting	No	Reissued as Finding 2011-001
2010-002	Material Non-compliance: OAC Section 117-2-03(B) filing cash when GAAP is required.	Yes	Finding No Longer Valid



Dave Yost • Auditor of State

VILLAGE 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
OCTOBER 2, 2012