

City of Greenfield
Highland County

Regular Audit
For the Year Ended December 31, 2006

Single Audit
For the Year Ended December 31, 2007

Fiscal Years Audited Under GAGAS: 2007 and 2006

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Mary Taylor, CPA
Auditor of State

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 Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2006 through December 31, 2007. 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

October 16, 2008

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HIGHLAND COUNTY
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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, 2007 and 2006. 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 Government 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 as of and for the years ended December 31, 2007 and 2006 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 May 16, 2008, 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.

City of Greenfield
Highland County
Independent Auditor's Report
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We conducted our audit to opine on the Government's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the Government's financial statements. For reasons stated in the third paragraph, the basic financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Government, as of December 31, 2007, or its changes in financial position for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.



Balestra, Harr & Scherer, CPAs, Inc.

May 16, 2008

**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, 2007**

	<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	\$ 130,080	\$ 34,313	\$ -	\$ -	\$ -	\$ 164,393
Municipal Income Tax	1,146,701	176,417	-	110,259	-	1,433,377
Intergovernmental	193,643	635,945	-	-	-	829,588
Charges for Services	79,564	81,435	-	-	3,751	164,750
Fines, Licenses, and Permits	25,379	1,251	-	24,347	-	50,977
Earnings on Investments	42,683	9,258	-	2,895	-	54,836
Miscellaneous	7,163	12,172	-	-	-	19,335
Total Cash Receipts	1,625,213	950,791	-	137,501	3,751	2,717,256
Cash Disbursements:						
Current:						
Security of Persons & Property	1,071,599	39,879	-	-	-	1,111,478
Public Health Service	2,400	-	-	-	-	2,400
Community Environment	35,486	-	-	-	-	35,486
Basic Utility Services	1,011	-	-	-	-	1,011
Transportation	-	394,471	-	-	-	394,471
General Government	611,923	-	-	-	4,324	616,247
Capital Outlay	130,930	659,999	-	28,763	-	819,692
Debt Service						
Principal Payment	-	-	1,000,000	100,000	-	1,100,000
Interest and Fiscal Charges	-	-	79	22,027	-	22,106
Total Cash Disbursements	1,853,349	1,094,349	1,000,079	150,790	4,324	4,102,891
Total Cash Receipts Over/(Under) Cash Disbursements	(228,136)	(143,558)	(1,000,079)	(13,289)	(573)	(1,385,635)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	-	-	1,000,000	-	-	1,000,000
Other Sources	94,557	10,114	-	-	-	104,671
Other Uses	(30,411)	(3,272)	-	-	-	(33,683)
Total Other Financing Receipts/(Disbursements)	64,146	6,842	1,000,000	-	-	1,070,988
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(163,990)	(136,716)	(79)	(13,289)	(573)	(314,647)
Fund Cash Balances, January 1	211,534	336,402	79	67,035	45,367	660,417
Fund Cash Balances, December 31	\$ 47,544	\$ 199,686	\$ -	\$ 53,746	\$ 44,794	\$ 345,770
Reserve for Encumbrances, December 31	\$ 22,674	\$ 17,028	\$ -	\$ 8,290	\$ -	\$ 47,992

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, 2007**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 1,841,949
Miscellaneous	1,808
	<u>1,843,757</u>
Total Operating Cash Receipts	<u>1,843,757</u>
Operating cash disbursements	
Personal services	467,003
Fringe benefits	1,538
Contractual services	267,153
Supplies and Materials	184,166
Capital outlay	1,770,017
	<u>2,689,877</u>
Total Operating Cash Disbursements	<u>2,689,877</u>
Operating Income/(Loss)	(846,120)
Non-Operating Cash Receipts/Disbursements	
Intergovernmental	490,000
Other Non-operating Receipts	10,163
Proceeds of OWDA Loan	886,897
Principal	(211,166)
Interest	(88,523)
	<u>1,087,371</u>
Total Non-Operating Cash Receipts (Disbursement)	<u>1,087,371</u>
Net Cash Receipts Over/(Under) Cash Disbursements	241,251
Fund Cash Balances, January 1	<u>380,963</u>
Fund Cash Balances, December 31	<u><u>\$ 622,214</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 55,579</u></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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	
Cash Receipts:						
Property and Local Taxes	\$ 108,001	\$ 31,013	\$ -	\$ -	\$ -	\$ 139,014
Municipal Income Tax	1,217,605	187,325	-	117,077	-	1,522,007
Intergovernmental	505,714	289,429	-	-	-	795,143
Charges for Services	67,428	103,457	-	-	3,635	174,520
Fines, Licenses, and Permits	32,594	3,267	-	21,295	-	57,156
Earnings on Investments	37,692	12,342	-	5,544	1,826	57,404
Miscellaneous	55,755	11,532	-	-	-	67,287
Total Cash Receipts	2,024,789	638,365	-	143,916	5,461	2,812,531
Cash Disbursements:						
Current:						
Security of Persons & Property	1,045,238	74,253	-	-	-	1,119,491
Public Health Service	2,400	108,176	-	-	-	110,576
Leisure Time Activities	-	69,613	-	-	-	69,613
Community Environment	46,916	14,137	-	-	-	61,053
Basic Utility Services	2,133	18,320	-	-	-	20,453
Transportation	670	208,607	-	-	-	209,277
General Government	889,396	-	-	-	5,000	894,396
Capital Outlay	-	212,547	-	59,944	-	272,491
Debt Service						
Principal Payment	-	-	1,100,000	100,000	-	1,200,000
Interest and Fiscal Charges	-	-	-	40,088	-	40,088
Total Cash Disbursements	1,986,753	705,653	1,100,000	200,032	5,000	3,997,438
Total Cash Receipts Over/(Under) Cash Disbursements	38,036	(67,288)	(1,100,000)	(56,116)	461	(1,184,907)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	-	-	1,100,000	-	-	1,100,000
Sale of Fixed Assets	17,164	-	-	-	-	17,164
Other Sources	34,650	412	-	-	-	35,062
Other Uses	-	(2,878)	-	-	-	(2,878)
Total Other Financing Receipts/(Disbursements)	51,814	(2,466)	1,100,000	-	-	1,149,348
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	89,850	(69,754)	-	(56,116)	461	(35,559)
Fund Cash Balances, January 1 (Restated See Note 10)	121,684	406,156	79	123,151	44,906	695,976
Fund Cash Balances, December 31	\$ 211,534	\$ 336,402	\$ 79	\$ 67,035	\$ 45,367	\$ 660,417
Reserve for Encumbrances, December 31	\$ -	\$ 52,950	\$ -	\$ 13,565	\$ -	\$ 66,515

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, 2006**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 1,203,122
Miscellaneous	20,431
	<u>1,223,553</u>
Operating cash disbursements	
Personal services	417,366
Fringe benefits	694
Contractual services	281,514
Supplies and Materials	175,323
Capital outlay	221,739
	<u>1,096,636</u>
Total Operating Cash Disbursements	<u>1,096,636</u>
Operating Income/(Loss)	126,917
Non-Operating Cash Receipts/Disbursements	
Other Non-operating Receipts	2,858
Principal	(175,769)
Interest	(88,718)
Other Non-operating Disbursements	(2,668)
	<u>(264,297)</u>
Total Non-Operating Cash Receipts (Disbursement)	<u>(264,297)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(137,380)
Fund Cash Balances, January 1	<u>518,343</u>
Fund Cash Balances, December 31	<u><u>\$ 380,963</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 59,448</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 Funds – 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, 2007 and 2006, the City's bank balance of \$961,840 and \$997,221 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, 2007 and 2006 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, 2007 and 2006, consisted of the following:

	2007 Principal Outstanding	2006 Principal Outstanding	Interest Rate
Bond Anticipation Notes	\$1,000,000	\$1,100,000	4.00%
Ohio Water Development Authority Loan #1603	726,557	870,645	9.48%
Ohio Water Development Authority Loan #4549	279,000	0	4.92%
Ohio Water Development Authority Loan #4677	586,794	0	3.62%
Ohio Public Works Commission Loan	80,095	93,300	3.00%
Public Security Note	275,157	307,927	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, 4549 and 4677 are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts. In 2007 the City received proceeds of loans for OWDA #4549 in the amount of \$294,500 and made principal payments of \$15,500. In 2006 the City received proceeds of loans for OWDA #4677 in the amount of \$592,397 and made principal payments of \$5,603.

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 (CONT'D)

The annual requirement to amortize all bonded debt and long-term loans outstanding as of December 31, 2007, including interest payments of \$277,590 are as follows:

Year Ending 12/31	Bond Anticipation Note	OWDA Loan #1603	OPWC Loan	Public Security Note	(Memorandum Only) Total
2008	\$1,040,000	\$ 226,625	\$ 15,906	\$ 46,812	\$1,329,343
2009	0	226,625	15,906	46,812	289,343
2010	0	226,625	15,906	46,812	289,343
2011	0	226,625	15,906	46,812	289,343
2012	0	0	23,741	46,812	70,553
2013-2017	0	0	0	91,474	91,474
Totals	<u>\$1,040,000</u>	<u>\$906,500</u>	<u>\$ 87,365</u>	<u>\$ 325,534</u>	<u>\$2,359,399</u>

The Ohio Water Development Authority (OWDA) loans #4549 and 4677 are not included in the amortization schedule above due to the City currently drawing down remaining funding.

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 2006.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are 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, 2007 and 2006, was \$2.50 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, 2007 and 2006, was \$2.70 per \$1,000 of assessed valuation.

	2007 Valuation	Real Property	2006 Valuation
Real Property		Residential/Agricultural	\$ 38,311,620
Residential/Agricultural	\$ 38,508,620	Commercial/Industrial	14,607,630
Commercial/Industrial	13,648,740	Public Utilities	10,110
Public Utilities	9,660	Tangible Personal Property	6,817,094
Tangible Personal Property	4,180,167	Public Utilities	1,359,170
Public Utilities	1,214,990		
Total Valuation	<u>\$ 57,562,177</u>	Total Valuation	<u>\$ 61,105,624</u>

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

4. PROPERTY TAX (CONT'D)

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.

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 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 2007 and 2006, 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 9.0% of their wages. The City contributed an amount equal to 13.70% of participants' gross salaries for 2007 and 2006. The City has paid all contributions required through December 31, 2007.

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.

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

9. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 was as follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,779,664	\$1,719,770	(\$59,894)
Special Revenue	946,400	960,905	14,505
Debt Service	1,120,000	1,000,000	(120,000)
Capital Project	120,000	137,501	17,501
Permanent	3,000	3,751	751
Enterprise	3,943,024	3,230,817	(712,207)
Total	\$7,912,088	\$7,052,744	(\$859,344)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Disbursements	Variance
General	\$1,989,022	\$1,883,760	\$105,262
Special Revenue	1,480,140	1,097,621	382,519
Debt Service	1,120,079	1,000,079	120,000
Capital Project	195,745	150,790	44,955
Permanent	5,000	4,324	676
Enterprise	4,096,327	2,989,566	1,106,761
Total	\$8,886,313	\$7,126,140	\$1,760,173

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,166,167	\$2,076,603	(\$89,564)
Special Revenue	825,840	638,777	(187,063)
Debt Service	1,235,000	1,100,000	(135,000)
Capital Project	110,000	143,916	33,916
Permanent	4,000	5,461	1,461
Enterprise	1,375,000	1,226,411	(148,589)
Total	\$5,716,007	\$5,191,168	(\$524,839)

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

9. BUDGETARY ACTIVITY (CONT'D)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,217,046	\$1,934,939	\$282,107
Special Revenue	1,429,151	708,119	721,032
Debt Service	1,235,079	1,100,000	135,079
Capital Project	244,481	200,032	44,449
Permanent	5,000	5,000	0
Enterprise	1,668,139	1,363,791	304,348
Total	\$6,798,896	\$5,311,881	\$1,487,015

10. RESTATEMENT

Restatements were made to comply with Generally Accepted Government Auditing Standards as stated in the Auditor of State Bulletin 2005-005.

	Expendable Trust Fund	Non Expendable Trust Fund	Total
Fund Balances, December 31, 2005	\$ 54,721	\$ 44,906	\$ 99,627
Restatement Amount	(54,721)	(44,906)	(99,627)
Restated Fund Balances December 31, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Special Revenue Funds	Permanent Fund	Total
Fund Balances, December 31, 2005	\$ 351,435	\$ -	\$ 351,435
Restatement Amount	54,721	44,906	99,627
Restated Fund Balances December 31, 2005	<u>\$ 406,156</u>	<u>\$ 44,906</u>	<u>\$ 451,062</u>

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 2007 and 2006.

Contrary to Ohio Revised Code Section 5705.39, at fiscal year end 2007, the General, Cemetery and Sewer Funds had final appropriations in excess of final estimated resources by \$74,038, \$16,581 and \$771,174, respectively. At fiscal year end 2006, the General, Community Development Block Grant and Sewer Funds had final appropriations in excess of final estimated resources by \$39,981, \$250,967 and \$82,165, respectively.

Contrary to Ohio Revised Code Section 5705.41(D), on several occasions, the City did not approve purchase orders prior to the invoice or payment date, nor was a then and now certificate present.

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

12. CONTINGENT LIABILITIES

At December 31, 2007, 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.

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	A-C-06-128-1	14.228	80,405
	A-W-06-128-1	14.228	<u>490,000</u>
Total Community Development Block Grants/State's Program			570,405
Home Investment Partnerships Program	A-C-06-128-2	14.239	357,501
Total United States Department of Housing and Urban Development			927,906
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$ 927,906</u>

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

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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*

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, 2007 and 2006, and have issued our report thereon dated May 16, 2008. In our report, our opinion was adverse because the City followed accounting practices the Auditor of State prescribes or permits 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting basis described in Note 1 such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, 2007-004, 2007-005 and 2007-006.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we have reported to management of the City in a separate letter dated May 16, 2008.

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 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 that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-001, 2007-002, 2007-003, 2007-007 and 2007-008.

We noted certain noncompliance or other matters that we have reported to management of the City in a separate letter dated May 16, 2008.

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



Balestra, Harr & Scherer, CPAs, Inc.
May 16, 2008

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of City of Greenfield (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in items 2007-007 and 2007-008 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f) and Generally Accepted Accounting Principles that are applicable to its Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the proceeding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

In a separate letter to the City's management dated May 16, 2008 we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but non for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with the type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weakness.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

This report is intended solely for the information and use of, management, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
May 16, 2008

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 Section .505
December 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant CFDA# 14.228 Home Investment Partnerships Program CFDA# 14.229
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)**

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

Finding Number 2007-001

Noncompliance Citation

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.

Clients Response:

The Auditor will file all reports properly.

Finding Number 2007-002

Noncompliance Citation

Ohio Revised Code Section 5705.36 states that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

At year end, total appropriations exceeded the amount contained in the amended certificate of estimated resources in several funds.

The City should obtain an increased amended certificate when the legislative authority intends to appropriate and expend excess revenues.

Clients Response:

Ohio Revised Code Section 5705.36 will be adhered to.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2007-003

Noncompliance Citation

ORC 5705.41 (D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the City Auditor.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (which was changed to \$3,000 effective April 7, 2003), the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the City Council, if such expenditure is otherwise valid.

Not properly certifying PO's could lead to expenditures exceeding appropriations causing the City to operate in a deficit.

No orders involving the expenditure of money are made unless the Auditor has issued a purchase order or blanket certificate to certify that the amount required has been lawfully appropriated and is in the treasury or in the process of collection. Then and Now Certificates should be used as the exception rather than the rule. The Council should approve all Then and Now certificates greater than \$3000 by resolution.

Clients Response:

The use of Then and Now Certificates will be implemented immediately.

Finding Number 2007-004

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.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2007-004 (Continued)

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

Clients Response:

Implementation of applying gross receipts into our system will be investigated and implemented immediately.

Finding Number 2007-005

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.

Clients Response:

Segregation of duties will be established and implemented. Bank reconciliations will be reviewed by the City Manager or Chairman of Finance upon each month's balancing.

Finding Number 2007-006

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.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2007-006 (Continued)

Clients 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 a part of this policy.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2007-007
CFDA Title and Number	Community Development Block Grant – CFDA #14.228
Federal Award Number/Year	A-C-06-128-1, A-W-06-128-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Citation – Cash Management

Office of Housing and Community Partnership Financial Management Rules and Regulations, Section (A)(3)(f), states the grantees must develop a cash management system to ensure compliance with the Fifteen 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 receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the Fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Drawdowns were not expended within 15 days to a fund balance of less than \$5,000 for 7 of the 10 drawdowns of grant funding received during the audit period. Disbursements were made up to several months after the 15 day limitation had expired resulting in noncompliance.

Drawdowns should be monitored to ensure that funds are expended within 15 days of receipt.

Clients Response:

The Auditor will notify the Program Coordinator upon receipt of funds. The Program Administrator shall prepare and provide proper documentation to ensure timely disbursement of funds. The Auditor will process disbursements immediately.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 Section .505
December 31, 2007
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
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Finding Number	2007-008
CFDA Title and Number	Community Development Block Grant – CFDA #14.228 and Home Investment Partnership Program – CFDA #14.229
Federal Award Number/Year	A-C-06-128-1, A-W-06-128-1, A-C-06-128-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Generally Accepted Accounting Principles

Article Seven of the Grant Agreements require 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 or biennially since April 26, 2002.

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

Clients Response:

The Auditor will file all reports properly.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	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 2007-001.
2005-002	Ohio Revised Code Section 5705.36 allow all subdivisions to request increased amended certificates of estimated resources	No	Not Corrected. Reissued as 2007-002.
2005-003	Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.	Yes	Corrected.
2005-004	Cash reconciliations were not performed during 2005.	Yes	Corrected.
2005-005	Article Seven of the Grant Agreements requires the City to keep federal accounting records in a manner consistent with generally accepted accounting principles.	No	Not Corrected. Reissued as 2007-008



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
NOVEMBER 6, 2008**