
**CITY OF GREENFIELD
HIGHLAND COUNTY**

FINANCIAL STATEMENTS

DECEMBER 31, 2003

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS



213 South Paint Street • Chillicothe, Ohio 45601-3828
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**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the City of Greenfield, Highland County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 13, 2004

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**CITY OF GREENFIELD
HIGHLAND COUNTY**

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Whited Seigneur Sams & Rahe, LLP

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March 1, 2004

Members of Council
City of Greenfield
Highland County

Independent Auditor's Report

We have audited the accompanying financial statements of the City of Greenfield, Highland County, Ohio (the City) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 117-6-01 requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the City of Greenfield prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, fund cash balances and reserves for encumbrances of the City of Greenfield, Highland County as of December 31, 2003, and the combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted actual disbursements and encumbrances for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2004, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of management, City Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF CASH, INVESTMENTS AND
FUND CASH BALANCES - ALL FUND TYPES
AS OF DECEMBER 31, 2003**

CASH AND CASH EQUIVALENTS	\$2,688,698
INVESTMENT	
Cemetery Bequest Stock Certificates	200
TOTAL	<u>\$2,688,898</u>
 CASH BALANCES BY FUND TYPE	
GOVERNMENTAL FUNDS	
General	\$1,143,758
Special Revenue	274,529
Debt Service	87
Capital Projects	203,130
 PROPRIETARY FUNDS	
Enterprise	1,004,739
 FIDUCIARY FUNDS	
Expendable Trust	16,953
Non-Expendable Trust	45,702
TOTAL	<u>\$2,688,898</u>

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY
FUND TYPES - FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
CASH RECEIPTS						
Local Taxes	\$1,203,735	\$ 170,150	\$ 0	\$ 106,343	\$ 27,972	\$ 1,508,200
Intergovernmental Receipts	752,788	517,214	0	23,728	3,027	1,296,757
Charges for Services	59,998	79,770	0	0	0	139,768
Fines, Licenses and Permits	14,822	3,795	0	0	0	18,617
Earnings on Investments	107,676	9,974	0	13,080	0	130,730
Miscellaneous	<u>25,275</u>	<u>6,321</u>	<u>0</u>	<u>16,037</u>	<u>0</u>	<u>47,633</u>
TOTAL CASH RECEIPTS	<u>2,164,294</u>	<u>787,224</u>	<u>0</u>	<u>159,188</u>	<u>30,999</u>	<u>3,141,705</u>
CASH DISBURSEMENTS						
Security of Persons and Property	1,124,340	5,130	0	0	28,574	1,158,044
Public Health Services	9,836	118,257	0	0	0	128,093
Leisure Time Activities	0	45,688	0	0	0	45,688
Community Environment	36,099	72,804	0	0	0	108,903
Basic Utility Services	1,292	0	0	0	0	1,292
Transportation	2,112	159,748	0	0	0	161,860
General Government	622,354	0	0	0	0	622,354
Capital Outlay	32,653	412,985	0	160,305	0	605,943
Debt Service	<u>0</u>	<u>0</u>	<u>1,650,673</u>	<u>0</u>	<u>0</u>	<u>1,650,673</u>
TOTAL CASH DISBURSEMENTS	<u>1,828,686</u>	<u>814,612</u>	<u>1,650,673</u>	<u>160,305</u>	<u>28,574</u>	<u>4,482,850</u>
TOTAL CASH RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	335,608	(27,388)	(1,650,673)	(1,117)	2,425	(1,341,145)
OTHER FINANCING SOURCES/(USES)						
Proceeds of Note	0	0	1,400,000	0	0	1,400,000
Sale of Fixed Assets	1,934	0	0	0	0	1,934
Transfer-In	0	0	219,560	0	0	219,560
Transfer-Out	0	0	0	(219,560)	0	(219,560)
Other Sources	33,423	12,972	0	0	1,350	47,745
Other Uses	<u>(12,787)</u>	<u>(1,440)</u>	<u>0</u>	<u>0</u>	<u>(1,148)</u>	<u>(15,375)</u>
TOTAL OTHER FINANCING SOURCES/(USES)	<u>22,570</u>	<u>11,532</u>	<u>1,619,560</u>	<u>(219,560)</u>	<u>202</u>	<u>1,434,304</u>
EXCESS OF RECEIPTS AND OTHER SOURCES OVER/ (UNDER) DISBURSEMENTS & OTHER USES	358,178	(15,856)	(31,113)	(220,677)	2,627	93,159
BEGINNING FUND CASH BALANCE	<u>785,580</u>	<u>290,385</u>	<u>31,200</u>	<u>423,807</u>	<u>14,326</u>	<u>1,545,298</u>
ENDING FUND CASH BALANCE	<u>\$1,143,758</u>	<u>\$ 274,529</u>	<u>\$ 87</u>	<u>\$ 203,130</u>	<u>\$ 16,953</u>	<u>\$ 1,638,457</u>
RESERVE FOR ENCUMBRANCES	<u>\$ 79,734</u>	<u>\$ 49,542</u>	<u>\$ 0</u>	<u>\$ 17,706</u>	<u>\$ 0</u>	<u>\$ 146,982</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY
FUND TYPES - FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non- Expendable Trust</u>	
OPERATING RECEIPTS			
Charges for Services	\$1,123,232	\$ 0	\$1,123,232
Earnings on Investments	<u>0</u>	<u>2,252</u>	<u>2,252</u>
TOTAL OPERATING RECEIPTS	1,123,232	2,252	1,125,484
OPERATING DISBURSEMENTS			
Personal Services	360,702	0	360,702
Employer Benefits	556	0	556
Contractual Services	204,398	0	204,398
Supplies and Materials	157,385	1,377	158,762
Capital Outlay	<u>137,911</u>	<u>0</u>	<u>137,911</u>
TOTAL OPERATING DISBURSEMENTS	<u>860,952</u>	<u>1,377</u>	<u>862,329</u>
EXCESS OF CASH OPERATING RECEIPTS OVER/(UNDER) OPERATING DISBURSEMENTS	262,280	875	263,155
NON-OPERATING RECEIPTS			
Other Non-Operative Receipts	<u>85,455</u>	<u>0</u>	<u>85,455</u>
TOTAL NON-OPERATING RECEIPTS	85,455	0	85,455
NON-OPERATING DISBURSEMENTS			
Debt Service	(226,007)	0	(226,007)
Other Non-Operating Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL NON-OPERATING DISBURSEMENTS	<u>(226,007)</u>	<u>0</u>	<u>(226,007)</u>
NET RECEIPTS OVER/(UNDER) DISBURSEMENTS	121,728	875	122,603
BEGINNING FUND CASH BALANCE	<u>883,011</u>	<u>44,827</u>	<u>927,838</u>
ENDING FUND CASH BALANCE	<u>\$1,004,739</u>	<u>\$ 45,702</u>	<u>\$1,050,441</u>
RESERVE FOR ENCUMBRANCES	<u>\$ 210,691</u>	<u>\$ 102</u>	<u>\$ 210,793</u>

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003**

FUND TYPES/FUNDS	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
GOVERNMENTAL			
General	\$1,353,319	\$2,199,651	\$ 846,332
Special Revenue	821,400	800,196	(21,204)
Debt Service	219,560	1,619,560	1,400,000
Capital Projects	119,772	159,188	39,416
PROPRIETARY			
Enterprise	1,559,000	1,208,687	(350,313)
FIDUCIARY			
Expendable Trust	30,290	32,349	2,059
Non-Expendable Trust	<u>3,000</u>	<u>2,252</u>	<u>(748)</u>
TOTAL (Memorandum Only)	<u>\$4,106,341</u>	<u>\$6,021,883</u>	<u>\$ 1,915,542</u>

**CITY OF GREENFIELD
HIGHLAND COUNTY
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2003**

FUND TYPES/FUNDS	Prior Year Carryover <u>Appropriations</u>	2003 <u>Appropriations</u>	<u>Total</u>	Actual 2003 <u>Disbursements</u>	Encumbrances Outstanding <u>At 12/31/03</u>	<u>Total</u>	Variance Favorable/ <u>(Unfavorable)</u>
GOVERNMENTAL							
General	\$ 90,319	\$2,051,605	\$2,141,924	\$1,841,473	\$ 79,734	\$1,921,207	\$ 220,717
Special Revenue	27,626	1,084,058	1,111,684	816,052	49,542	865,594	246,090
Debt Service	31,200	219,560	250,760	1,650,673	0	1,650,673	(1,399,913)
Capital Projects	75,819	467,761	543,580	379,865	17,706	397,571	146,009
PROPRIETARY							
Enterprise	39,739	2,402,272	2,442,011	1,086,959	210,691	1,297,650	1,144,361
FIDUCIARY							
Expendable Trust	0	41,597	41,597	29,722	0	29,722	11,875
Non-Expendable Trusts	<u>83</u>	<u>47,744</u>	<u>47,827</u>	<u>1,377</u>	<u>102</u>	<u>1,479</u>	<u>46,348</u>
TOTAL (Memorandum Only)	<u>\$ 264,786</u>	<u>\$6,314,597</u>	<u>\$6,579,383</u>	<u>\$5,806,121</u>	<u>\$ 357,775</u>	<u>\$6,163,896</u>	<u>\$ 415,487</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (As Required by Various Statutes)

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

- **Fund Accounting**

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Fund Accounting (Continued)**

Governmental Funds:

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

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

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

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

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

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

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

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

Proprietary Funds:

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

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

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

Fiduciary Funds:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Fund Accounting (Continued)**

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

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

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

• **Budgetary Process:**

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

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

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

• **Budgetary Process (Continued)**

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

• **Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

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

2. EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities are required to be direct issuances of federal government agencies or instrumentalities;
3. Repurchase agreements in the securities enumerated above;
4. Time certificates of deposit or savings or deposits accounts, including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio or its political subdivisions, or other units or agencies of this state or its political subdivisions;
6. The State Treasurer's investment pool; and
7. No-Load money market mutual funds consisting exclusively of obligations described in division (B.) (1) (2) or (5) of Ohio Rev. Code Section 135.14.

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

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

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

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

Deposits - At December 31, 2003, the carrying amount of the City's deposits was \$2,688,698 and the bank balance was \$2,712,001.

Of the bank balances for the year ended December 31, 2003, \$100,000 was covered by Federal Depository Insurance, and thus would belong in risk category (1).

For the year ended December 31, 2003, \$2,612,001 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in single institution collateral pools securing all public funds on deposit with specific depository institutions. The code specifies that the total value of securities pledged as collateral must be at least equal to 100% of the total amount of the insured deposits, including any portion covered by federal deposit insurance. The code also specifies what kind of securities are eligible to be pledged and what percentage of their face value counts as being eligible for collateral.

These deposits would belong in risk category (3).

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

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

The only investment held by the City during the year ended December 31, 2003 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.

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

3. DEBT OBLIGATIONS

Debt outstanding at December 31, 2003, consisted of the following:

	2003 Principal <u>Outstanding</u>	Interest <u>Rate</u>
Bond Anticipation Note	\$1,400,000	1.60%
Ohio Water Development Authority Loan #2	1,232,276	9.48%
Ohio Public Works Commission Loan	130,637	3.00%

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

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

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

The annual requirement to amortize all bonded debt and long term loans outstanding as of December 31, 2003, including interest payments of \$623,594 are as follows:

Year Ending <u>12/31</u>	Bond Anticipation <u>Note</u>	OWDA <u>Loan #2</u>	OPWC <u>Loan</u>	(Memorandum Only) <u>Total</u>
2004	\$1,422,400	\$ 226,625	\$ 15,906	\$1,664,931
2005	0	226,625	15,906	242,531
2006	0	226,625	15,906	242,531
2007	0	226,625	15,906	242,531
2008	0	226,625	15,906	242,531
Thereafter	<u>0</u>	<u>679,875</u>	<u>71,577</u>	<u>751,452</u>
TOTALS	<u>\$1,422,400</u>	<u>\$1,813,000</u>	<u>\$ 151,107</u>	<u>\$3,386,507</u>

4. PROPERTY TAX

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

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

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

4. PROPERTY TAX (Continued)

The full tax rate applied to real property for the fiscal year ended December 31, 2003, was \$2.70 per \$1,000 of assessed valuation. There was no adjustment of the rate for inflationary increase in property values, so the effective tax rate was \$2.70 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$2.70 per \$1,000 of assessed valuation for all other real estate property. Real property owners' tax bills are reduced by homestead and rollback deduction, when applicable. The amount of these homestead and roll back reductions is reimbursed by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including cost, by April 30, of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2003, was \$2.70 per \$1,000 of assessed valuation.

	2002 Valuation
Real Property	
Residential/Agricultural	\$28,614,460
Commercial/Industrial	10,290,070
Public Utilities	6,490
	2003 Valuation
Tangible Personal Property	
General	9,918,860
Public Utilities	1,530,680
 TOTAL VALUATION	 \$50,360,560

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 three years.

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

6. RISK MANAGEMENT (Continued)

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 COMMITMENTS

Public Employees Retirement System of Ohio - The Public Employees Retirement System (PERS) of Ohio is a state operated, cost-sharing, multiple employer public employee retirement system. Full-time permanent employees of the City, except non-administrative full-time uniformed police officers and firefighters, belong to PERS. PERS provides retirement benefits to employees who are eligible to retire based upon five years of service. PERS also provides survivor and disability benefits to vested employees.

Employees contribute 8.5% of gross salary. The employer-matching share is 13.55% of gross salary. The pension contribution requirement for the City for the year ended December 31, 2003, was \$160,493 which consisted of \$61,868 from employees and \$98,625 from the employer, respectively. The required percentages for employer and employee contributions for the 2004 fiscal year will be unchanged.

Police and Firemen's Disability and Pension Fund - The Police and Firemen's Disability and Pension Fund of Ohio is a state operated, cost-sharing multiple-employer public employees retirement system. All City non-administrative full time police officers and firefighters participate in Police and Firemen's Disability and Pension Fund. Retirement benefits are provided to employees who are eligible to retire based upon age and years of service. Police and Firemen's Disability also provides survivor and disability benefits to vested employees.

Employees contribute 10% of gross salary. The employer-matching share is 19.5% for policemen and 24% for firemen. The pension contribution requirement for the City for the year ended December 31, 2003, was \$221,838, which consisted of \$70,427 from employees and \$151,411 from the employer, respectively. The required percentages for employer and employee contributions for the 2004 fiscal year will be unchanged.

8. OHIO PUBLIC DEFERRED COMPENSATION PLAN

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

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

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

9. OHIO ARTS COUNCIL GRANT AND PUBLIC DONATIONS

Ohio Arts Council Grant and public donations were received and disbursed through the Community Development Director's office. Total receipts in 2003 were \$5,563 and disbursements totaled \$5,210. There was a beginning fund balance of \$100 as of January 1, 2003. At December 31, 2003, the fund balance was \$453. These amounts have been added to special revenue fund type totals in this report.

10. STATE AND FEDERAL GRANTS

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

11. LEGAL COMPLIANCE/NONCOMPLIANCE

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

Ohio Administrative Code Section 117-6-01 requires that all cities are to report and prepare its financial report in accordance with generally accepted accounting principles. The City prepares its financial statement on the basis of accounting formerly permitted or prescribed by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equity and disclosures that, which material, can not be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

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

An increased amended certificate was not obtained for the proceeds of the note rollover described in Note 3 to the financial statements. This is contrary also with the Auditor of State's technical bulletin 1997-010. Reduced amended certificates were not obtained for the City's Cemetery, Community Development Block Grant, Street Deposit, and Sewer Funds. These funds' actual receipts were less than estimated receipts and the amount of the deficiency reduced actual available resources below the level of actual appropriations. However, it should be noted that the City did not overspend actual available resources.

Ohio Revised Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenues derived from a source other than the general property tax. In 2003, the Ohio Arts Council Grants and public donations were received but not accounted for by the City Auditor. Instead, these grants and donations were deposited into and accounted for by a local financial institution and administered by the Mayor and Community Development Director for certain community events.

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Although there was no cash exchanged, the City did not appropriate and account for the payment of the old note that was rolled over (refer to Note 3 to the financial statements). This is also contrary to Auditor of State technical bulletin 1997-010.

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

11. LEGAL COMPLIANCE/NONCOMPLIANCE (Continued)

When short-term notes mature, according to Auditor of State technical bulletin 1997-010, the City is required to budget for the payment of the principal of the old note and should budget for the receipt of the proceeds of the new note.

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through Ohio Department of Development			
Community Housing Improvement Project	A-C-02-128-1	14.228	\$ <u>136,763</u>
Subtotal - Community Housing Improvement			136,763
HOME Investment Partnership	A-C-02-128-2	14.239	<u>234,626</u>
Subtotal - Home Investment Partnership			<u>234,626</u>
Total U.S. Department of Housing and Urban Development			371,389
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct:			
Local Law Enforcement Block Grant	2002-LB-BX-1352	16.592	<u>916</u>
Subtotal - Local Law Enforcement Block Grants			916
Community Oriented Policing Services (COPS) COPS in Schools	2002-SHWX-0056	16.710	<u>42,818</u>
Subtotal - Community Oriented Policing Services (COPS)			<u>42,818</u>
Total U.S. Department of Justice			<u>43,734</u>
Total			<u>\$ 415,123</u>

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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March 1, 2004

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

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

We have audited the financial statements of the City of Greenfield as of and for the year ended December 31, 2003, and have issued our report thereon dated March 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Greenfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2003-001, 2003-002, 2003-003 and 2003-007.

We also noted an immaterial instance of noncompliance that we have reported to management of the City in a separate letter dated March 1, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Greenfield in a separate letter dated March 1, 2004.

This report is intended for the information and use of management, City Council, 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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March 1, 2004

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

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

Compliance

We have audited the compliance of the City of Greenfield, Highland County, Ohio (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 its major federal programs for the year ended December 31, 2003. 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 its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on 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 material 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 on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2003. The results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2003-004 and 2003-005.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of management, City Council, 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003
OMB CIRCULAR A-133, SECTION .505**

I. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at financial statement Level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal Programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(1)(vii)	Major Programs	CDBG Community Housing Improvement Project/ CFDA#14.228 HOME Investment Partnerships CFDA #14.239
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003**

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

Finding Number 2003-001

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

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

It is recommended that the City file its annual financial report to the Auditor of State's office on the generally accepted accounting principle basis of accounting.

Finding Number 2003-002

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

An increased amended certificate was not obtained for the proceeds of the note rollover described in Note 3 to the financial statements. This is contrary also with the Auditor of State's technical bulletin 1997-010. Reduced amended certificates were not obtained for the City's Cemetery, Community Development Block Grant, Street Deposit, and Sewer Funds. These funds' actual receipts were significantly less than estimated receipts and the amount of the deficiency reduced actual available resources below the level of appropriation. However, it should be noted that the City did not overspend actual available resources. Although it may have involved different funds, this Ohio Revised Code Section has been cited annually since April 26, 2002.

Finding Number 2003-003

Ohio Revised Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenues derived from a source other than the general property tax.

In 2003, the Ohio Arts Council Grants and public donations were received but not accounted for by the City Auditor. Instead, these grants and donations were deposited into and accounted for by a local financial institution and administered by the Mayor and Community Development Director for certain community events. This was done, apparently, for convenience and quicker access to monies. Although receipts and expenditures were accounted for, we believe a special revenue fund should have been created to account for these funds initially through the City Auditor's office. A petty cash account could still be kept at the local financial institution for convenience. The disbursements made could then be reimbursed by the City Auditor's Office and the petty cash fund would be replenished.

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003**

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

Finding Number 2003-007

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. Although there was no cash exchanged, the City did not appropriate and account for the payment of the old note that was rolled over (refer to Note 3 to the financial statements). This is also contrary to Auditor of State technical bulletin 1997-010.

When short-term notes mature, according to Auditor of State technical bulletin 1997-010, the City is required to budget for the payment of the principal of the old note and should budget for the receipt of the proceeds of the new note.

III. Findings For Federal Awards

Finding Number 2003-004

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

Cash Management – Fifteen Day Rule

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

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

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003**

III. Findings For Federal Awards (Continued)

Finding Number 2003-004 (Continued)

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

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

Finding Number 2003-005

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

Generally Accepted Accounting Principles

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

Finding Number 2003-006

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

**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003**

III. Findings For Federal Awards (Continued)

Finding Number 2003-006 (Continued)

Reconciling City's Accounting Records with Administrator's Records

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

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

Status: Not Corrected

Not Corrected/Explanation: According to corrective action plan from prior audits, the City auditor and Program administrator were to setup account numbers for each program budget line item that would allow easy reconciliation between the City auditor's and Program administrator's records. Although we were able to reconcile the records in 2003, the City Auditor and Program Administrator were not reconciling their ledgers monthly or on a periodic basis.

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

Finding Number 2002-001

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

Status: Not Corrected.

Not Corrected/Explanation: City Council and City Auditor feel the added cost to convert to financial statements prepared in accordance with GAAP exceeds the added benefits.

Finding Number 2002-002

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

Reduced amended certificates were not obtained for the City's CDBG and Railroad Funds. These funds' actual receipts were significantly less than estimated receipts and the amount of the deficiency reduced actual available resources below the level of appropriation. However, it should be noted that the City did not overspend actual available resources.

Status: Not Corrected

Not Corrected/Explanation: Reduced amended certificates were not obtained for the City's CDBG Fund again in fiscal year 2003 as well as three other funds. The City appears to understand they can get a reduced certificate and they are aware that you can't overspend actual available resources.

Finding Number 2002-003

CFDA Title and Number	CDBG Community Housing Improvement Project/ CFDA #14.228 CDBG Downtown Revitalization Program/ CFDA#14.228
Federal Award Number/Year	A-C-00-128-1 A-T-00-128-1
Federal Agency	U.S. Department of Housing and Development
Pass-Through Agency	Ohio Department of Development (Partially)

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

Finding Number 2002-003 (Continued)

Cash Management - Fifteen Day Rule

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

Also, the grant agreements executed by and between the City of Greenfield and the State of Ohio, Department of Development, for the grant period January 1, 2001 through October 31, 2002 and August 1, 2000 through September 30, 2002, respectively, state in "Statement of the Agreement", Section 3, "...if the funds are not expended in accordance with terms, condition and time period set forth in the agreement... the amounts improperly expended or not expended shall be returned to the Grantor (Ohio Department of Development) within thirty (30) days of termination of the agreement".

We reviewed disbursements from the CDBG Community Housing Improvement and Downtown Revitalization Programs to compare disbursement dates of payments to contractors to dates of draw-downs when received. Our testing showed that some payments tested, which were greater than \$5,000 each, were disbursed more than 15 days after receipt of the draw.

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

Status: Not Corrected

Not Corrected/Explanation: Although not fully corrected in fiscal year 2003, improvement was noted as some disbursements were made within 15 days after receipt of the drawdowns.

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

Finding Number 2002-004

CFDA Title and Number	CDBG Community Housing Improvement Project/ CFDA #14.228 CDBG Downtown Revitalization Program/ CFDA#14.228
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Federal Award Number/Year	A-C-00-128-1 A-T-00-128-1
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Federal Agency	U.S Department of Housing and Development
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Pass-Through Agency	Ohio Department of Development (Partially)
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Generally Accepted Accounting Principles

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

Status: Not Corrected

Not Corrected/Explanation: See Finding Number 2002-001.

Finding Number 2002-005

CFDA Title and Number	CDBG Community Housing Improvement Project/ CFDA #14.228 CDBG Downtown Revitalization Program/ CFDA#14.228
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Federal Award Number/Year	A-C-00-128-1 A-T-00-128-1
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Federal Agency	U.S. Department of Housing and Development
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Pass-Through Agency	Ohio Department of Development (Partially)
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**CITY OF GREENFIELD
HIGHLAND COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315 (b)**

Finding Number 2002-005 (Continued)

Reconciling City's Accounting Records with Administrator's Records

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

We recommend the Administrator reconcile the manual records with the City's accounting records on a monthly basis. To facilitate this process, the City Auditor should create a fund for each grant and create accounts within the funds that parallel the Administrator's manual record accounts.

Status: Not Corrected

Not Corrected/Explanation: According to corrective action plan from prior audits, the City auditor and Program administrator were to setup account numbers for each program budget line item that would allow easy reconciliation between the City auditor's and Program administrator's records. Although we were able to reconcile the records in 2003, the City Auditor and Program Administrator were not reconciling their ledgers monthly or on a periodic basis.



**Auditor of State
Betty Montgomery**

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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
MAY 25, 2004**