



Balestra, Harr & Scherer, CPAs, Inc.

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

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CITY OF GREENFIELD
HIGHLAND COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2010
Fiscal Year Audited Under GAGAS: 2010



Dave Yost • 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, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 17, 2012

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City of Greenfield
Highland County
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the City of Greenfield, Highland County, (the City) as of and for the year ended December 31, 2010. 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-2-03 (B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the City as of and for the year ended December 31, 2010 in accordance with accounting principles generally accepted in the United States of America.

The City also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting and compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 105,085	\$ 30,414	\$ -	\$ -	\$ -	\$ 135,499
Municipal Income Tax	881,419	81,332	-	80,229	-	1,042,980
Intergovernmental	263,529	606,548	-	-	-	870,077
Special Assessments	-	-	-	-	-	-
Charges for Services	18,175	72,655	-	-	3,605	94,435
Fines, Licenses, and Permits	8,684	13,747	-	28,849	-	51,280
Earnings on Investments	18,819	1,328	-	583	685	21,415
Miscellaneous	51,151	2,456	-	1,153	-	54,760
Total Cash Receipts	<u>1,346,862</u>	<u>808,480</u>	<u>-</u>	<u>110,814</u>	<u>4,290</u>	<u>2,270,446</u>
Cash Disbursements:						
Current:						
Security of Persons & Property	565,494	35,100	-	-	-	600,594
Public Health Service	-	83,669	-	-	2,110	85,779
Leisure Time Activities	-	8,850	-	-	-	8,850
Community Environment	-	433,803	-	-	-	433,803
Basic Utility Services	55,554	-	-	-	-	55,554
Transportation	-	247,196	-	-	-	247,196
General Government	465,312	1,048	-	6,932	-	473,292
Capital Outlay	-	43,749	-	20,737	-	64,486
Debt Service:						
Redemption of Principal	5,000	-	733,541	91,459	-	830,000
Interest and Fiscal Charges	426	-	16,459	2,420	-	19,305
Total Cash Disbursements	<u>1,091,786</u>	<u>853,415</u>	<u>750,000</u>	<u>121,548</u>	<u>2,110</u>	<u>2,818,859</u>
Total Cash Receipts Over/(Under) Cash Disbursements	255,076	(44,935)	(750,000)	(10,734)	2,180	(548,413)
Other Financing Receipts and (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Notes	-	9,335	750,000	-	-	759,335
Transfers-In	-	9,000	-	-	-	9,000
Transfers-Out	-	(9,000)	-	-	-	(9,000)
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>9,335</u>	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>759,335</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	255,076	(35,600)	-	(10,734)	2,180	210,922
Fund Cash Balances, January 1	260,965	202,196	-	47,565	51,187	561,913
Fund Cash Balances, December 31	<u>\$ 516,041</u>	<u>\$ 166,596</u>	<u>\$ -</u>	<u>\$ 36,831</u>	<u>\$ 53,367</u>	<u>\$ 772,835</u>
Reserve for Encumbrances, December 31	<u>\$ 29,735</u>	<u>\$ 4,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,121</u>

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

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 1,784,969
Miscellaneous	1,835
	<hr/>
Total Operating Cash Receipts	1,786,804
	<hr/>
Operating cash disbursements	
Personal services	405,757
Fringe benefits	158,873
Contractual services	340,849
Supplies and Materials	236,728
Other	2,160
Capital outlay	1,053,588
	<hr/>
Total Operating Cash Disbursements	2,197,955
	<hr/>
Operating Income/(Loss)	(411,151)
	<hr/>
Non-Operating Cash Receipts/Disbursements	
Intergovernmental	206,005
Capital Contributions	34,850
Proceeds from the Sale of Notes	357,885
Principal	(325,638)
Interest	(150,953)
	<hr/>
Total Non-Operating Cash Receipts (Disbursement)	122,149
	<hr/>
Net Cash Receipts Over/(Under) Cash Disbursements	(289,002)
	<hr/>
Fund Cash Balances, January 1	746,593
	<hr/>
Fund Cash Balances, December 31	<u>\$ 457,591</u>
	<hr/>
Reserve for Encumbrances, December 31	<u>\$ 49,412</u>
	<hr/>

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

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

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

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 Finance Director invests all available funds of the City. City funds are invested in “Super Now” checking accounts with local commercial banks. 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.

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.

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.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

Governmental Funds (Cont'd)

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

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

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

Debt Service Fund – This fund accounts for resources the City accumulates to pay bond debt.

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

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

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

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

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

Proprietary Funds

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

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

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

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.

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

Budgetary Process (Cont'd)

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.

2. EQUITY IN POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

The City maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31, 2010 are as follows:

	2010
Demand Deposits	\$ 1,229,826
Petty Cash	400
Cemetery Trust	200
Total Deposits	\$ 1,230,426

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

3. DEBT OBLIGATIONS

Debt outstanding at December 31, 2010 consisted of the following:

	2010 Principal Outstanding	Interest
Bond Anticipation Notes	\$ 750,000	4.00%
Ohio Water Development Authority Loans	2,801,961	3.62 - 9.48%
Ohio Public Works Commission Loans	473,661	3.00%
USDA Loan	20,000	4.38%
Public Security Note	167,984	4.50%
General Obligation Note	28,007	4.35%
Total	4,241,613	

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

The Ohio Water Development Authority (OWDA) loans #1603, 4677 and 4882 are for utility construction projects. Property and revenue of the utility facilities have been pledged to repay these debts. In 2010 the City received proceeds of loans for OWDA #5611 in the amount of \$881. In 2010 the City received \$34,850 in proceeds of loans for OWDA Loan # 5482 which were then paid off via grants from the Ohio EPA for the same amount. The prior audit balances for OWDA loans 4677 and 4882 were misstated.

The Ohio Public Works Commission (OPWC) loans are for Issue II money borrowed for the Edgewood/McClain sanitary sewer replacement project and the Wastewater Treatment Plant Improvements. In 2010 the City received \$304,363 in loan proceeds for Loan O12k. This loan is not reflected in the amortization schedule as it has not been finalized.

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

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

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

3. DEBT OBLIGATIONS (CONT'D)

The annual requirement to amortize all bonded debt and long-term loans outstanding as of December 31, 2010, including interest payments of \$1,722,462 are as follows:

Year Ending 12/31	Bond Anticipation Note	OWDA Loan	OPWC Loans	USDA	Public Security Note	General Obligation Note	Total (Memorandum Only)
2011	\$ 766,875	\$ 190,221	\$ 15,906	\$ 5,875	\$ 46,812	\$ 10,159	\$ 1,035,848
2012	-	267,129	15,906	5,656	46,812	10,159	\$ 345,662
2013	-	153,816	7,836	5,437	46,812	10,159	\$ 224,060
2014	-	153,816	-	5,219	44,662	-	\$ 203,697
2015	-	153,816	-	-	-	-	\$ 153,816
2016-2020	-	769,080	-	-	-	-	\$ 769,080
2021-2025	-	769,080	-	-	-	-	\$ 769,080
2026-2030	-	769,080	-	-	-	-	\$ 769,080
2031-3035	-	769,080	-	-	-	-	\$ 769,080
2036-2039	-	489,047	-	-	-	-	\$ 489,047
Total	\$ 766,875	\$ 4,484,165	\$ 39,648	\$ 22,187	\$ 185,098	\$ 30,477	\$ 5,528,450

OPWC loan CO12K had not been fully disbursed as of December 31, 2010. \$435,625 of the total loan balance of \$600,000 had been disbursed to the Village at fiscal year-end and will transfer to repayment status when the full amount has been disbursed.

4. PROPERTY TAX

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

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

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

5. LOCAL INCOME TAX

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

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

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

6. RISK MANAGEMENT

The City has obtained commercial insurance for the following risks:

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

7. RETIREMENT SYSTEM

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

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

8. STATE AND FEDERAL GRANTS

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

9. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2010 was as follows:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,473,101	\$ 1,346,862	\$ (126,239)
Special Revenue	806,377	826,815	20,438
Debt Service	750,000	750,000	-
Capital Project	110,000	110,814	814
Permanent	3,000	4,290	1,290
Enterprise	2,310,000	2,385,544	75,544
Total	<u>\$ 5,452,478</u>	<u>\$ 5,424,325</u>	<u>\$ (28,153)</u>

**CITY OF GREENFIELD
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

9. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Disbursements</u>	<u>Variance</u>
General	\$ 1,123,487	\$ 1,121,522	\$ 1,965
Special Revenue	931,976	866,801	65,175
Debt Service	750,000	750,000	-
Capital Project	125,000	121,548	3,452
Permanent	51,000	2,110	48,890
Enterprise	2,842,789	2,723,958	118,831
Total	<u>\$ 5,824,252</u>	<u>\$ 5,585,939</u>	<u>\$ (238,313)</u>

10. TRANSFERS

A transfer between special revenue funds was noted. \$9,000 was transferred from the Street Permit Deposit Fund to the Street Construction/Maintenance Fund to transfer deposits that were not collectible by the depositor.

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 fiscal year 2010.

12. CONTINGENT LIABILITIES

At December 31, 2010, 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.

Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

13. SUBSEQUENT EVENTS

Based upon the results of the 2010 census, the City's population declined to a balance less than 5,000 which put it into the status of a village. Effective for 2011, the City of Greenfield status was changed to the Village of Greenfield.



Balestra, Harr & Scherer, CPAs, Inc.

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

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, Ohio, (the City), as of and for the year ended December 31, 2010, and have issued our report thereon dated June 22, 2012. In our report, our opinion was adverse because the City reported on a basis formerly prescribed or permitted by the Auditor of State rather than the accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-002.

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

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

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



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

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

FINDING NUMBER 2010-001

Material Weakness Over Financial Accounting and Reporting

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

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

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

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

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

- Intergovernmental Revenue and Property Tax Revenues in the General Fund
- Transfers In recorded as Intergovernmental Revenue in the Street Fund
- Recording of Debt Proceeds in the Street Fund, Water Fund and Sewer Fund
- Separation of Interest from posted Principal payments in the General Fund, Street Paving Fund, Debt Service Fund, Capital Improvement City Hall Fund and Sewer Fund.

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

Client Response:

The City will implement controls to correct these issues.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

FINDING NUMBER 2010-002

Material Non-Compliance

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

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

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

Client Response:

The City plans to outsource these responsibilities.

**CITY OF GREENFIELD
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Ohio Admin. Code Section 117-2-03(B): Requires the City to prepare its annual financial report in accordance with generally accepted accounting principles.	No	Reissued as Finding 2010-002
2009-002	ORC Section 5705.36(A); appropriations exceeded available resources.	Yes	Corrected
2009-003	Significant Deficiency: Segregation of duties for bank reconciliations and receipting funds.	Yes	Corrected
2009-004	Significant Deficiency: Audit adjustments and reclassifications.	No	Reissued as Finding 2010-001
2009-005	Significant Deficiency: Recording tax receipts in the net opposed to the gross amount.	Yes	Corrected

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Dave Yost • 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
OCTOBER 2, 2012