



Dave Yost • Auditor of State

City of Girard
Trumbull County

Fiscal Emergency Termination

Local Government Services

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City of Girard, Trumbull County

Fiscal Emergency Termination

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CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the City of Girard, the Auditor of State performed an analysis of the City of Girard to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the City of Girard no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the City of Girard and its role in the operation of the City of Girard is terminated as of June 7, 2012.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to James J. Melfi, Mayor of the City of Girard; Reynald Paolone, President Pro-Tempore of City Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Adrian S. Biviano, Trumbull County Auditor.

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

DAVE YOST
Auditor of State

June 7, 2012

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City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Report on the Termination of the Girard Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission (the Commission) of the City of Girard, Trumbull County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new fiscal emergency conditions have occurred; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through twenty of the report indicate that the City has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page twenty-one.

We have reviewed the objectives of the financial plan and determined that the City has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page twenty-seven.

We examined and issued a non-adverse report on the five-year forecast prepared by the City. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the City of Girard, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the City of Girard, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Section 1 - Financial Accounting and Reporting System

When a City is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the City's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Girard (the City) and issued a Report on Accounting Methods, dated January 9, 2002. The report identified areas where the City's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report on Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct these issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

The department heads are not involved with the development of the tax budget.

Implemented

The City's finance meetings are attended by the City Auditor, the Mayor and the Safety Service Director who represent the City's various department heads. Prior to that meeting, all department heads are consulted and their input is taken into account. At these meetings, the City Auditor presents the tax budget information and it is discussed and reviewed by all present at the meeting.

Auditor of State Comment from Report on Accounting Methods

The Mayor does not prepare the proposed tax budget in conjunction with the City Auditor and submit the proposal to the Council in advance so that the Council has the opportunity to make inquiries and changes in advance of the public hearing.

Implemented

The City's finance meetings are attended by the City Auditor, the Mayor and the Safety Service Director who represents the City's various department heads. At these meetings, the City Auditor presents the tax budget information and it is discussed and reviewed by all present at the meeting before being submitted to Council. The City Auditor presents the tax budget to Council. The City publishes the resolution of Council's adoption of the alternative tax budget and also posts it on the Girard City Bulletin Board. The City does not hold a public hearing.

Auditor of State Comment from Report on Accounting Methods

The file copy of the tax budget for calendar year 2002 was not signed and dated by the appropriate City officials.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Implemented

The City's file copy of the tax budget for calendar year 2011 was signed by the City Auditor.

Auditor of State Comment from Report on Accounting Methods

The tax budget did not include all funds of the City, a statement of permanent improvements, or the information required for the debt issues.

Implemented

Trumbull County requires an alternative tax budget for reporting purposes. The County only requires that the City provide an estimated statement of fund activity for the funds that receive general property tax revenue. The City does provide the information that the County requires.

Auditor of State Comment from Report on Accounting Methods

The City does not have a long-term plan or budget for its primary operating funds.

Implemented

The City maintains a five-year forecast for its primary operating funds.

Auditor of State Comment from Report on Accounting Methods

The City does not have a long-term capital budget identifying anticipated projects and the means of financing them.

Implemented

The City maintains a long-term capital budget identifying anticipated projects and the means of financing them.

Auditor of State Comment from Report on Accounting Methods

The appropriation ordinance does not present information in a format that allows for amounts to be traced to the ledgers or a verification that amounts are within the certificate of estimated resources.

Implemented

The temporary and permanent appropriation ordinances present information by fund and object level (salaries, overtime, etc.) so amounts can be easily be traced to the City's Detailed Trial Balance report. The appropriation ordinance can be used to perform a fund analysis which will verify that appropriation amounts are within the certificate of estimated resources.

Auditor of State Comment from Report on Accounting Methods

The appropriation ordinance does not include all funds that are required to be budgeted.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Implemented

The permanent appropriations ordinance includes all funds. The appropriation amendments only include the funds that have changed.

Auditor of State Comment from Report on Accounting Methods

The City does not amend its appropriation ordinance throughout the year.

Implemented

The City does amend its appropriation ordinance. In 2011, there were two amendments to the permanent appropriations. The permanent appropriations were passed in March and the amendment was passed in May.

Auditor of State Comment from Report on Accounting Methods

Appropriations are not limited to the amounts reflected on the certificate of estimated resources.

Implemented

A fund analysis was prepared for 2011 based on beginning fund balance, estimated revenues and appropriations. The 2011 fund analysis demonstrates that appropriations do not exceed estimated resources and are limited to the revenue amounts on the certificate of estimated resources.

Auditor of State Comment from Report on Accounting Methods

The City allows expenditures to exceed the appropriated amounts authorized by council.

Implemented

The City's expenditures do not exceed appropriations. In 2011, only one fund had a negative variances due to expenditures exceeding appropriations and it was an agency fund not required to be budgeted.

Auditor of State Comment from Report on Accounting Methods

The certificate of estimated resources is not amended to include the actual unencumbered balances within the period required by statute.

Implemented

The City's certificate of estimated resources includes the unencumbered balances from the end of the previous year.

Auditor of State Comment from Report on Accounting Methods

The City has not requested an amended official certificate of estimated resources for any revised estimates in revenues.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Implemented

The City requests an amended official certificate of estimated resources when necessary. In 2011, the City requested and received three amended official certificates of estimated resources from the County for revised estimates in revenues.

Auditor of State Comment from Report on Accounting Methods

City Council, prior to approving any grant applications, should be aware of any matching requirements and the effect on the future operations of the City.

Implemented

Girard City Council passed an ordinance to authorize the City's share of an Issue II project and to authorize the Mayor to participate in the Issue II project.

Chart of Fund and Account Codes

Auditor of State Comment from Report on Accounting Methods

The City has established special funds without statutory authority or Auditor of State authorization. In addition, records supporting the authorization for the funds and its purpose were not available.

Implemented

The City now obtains proper authorization from the Auditor of State for new funds added.

Auditor of State Comment from Report on Accounting Methods

The City's funds are not numbered consistently in a manner that allows for classification by fund type.

Implemented

The City's funds are numbered fairly consistently. The general fund is numbered 100, the majority of the special revenue funds are numbered in the 200's, the capital projects funds are numbered in the 900's and the enterprise funds are numbered in the 600's. The remaining fund numbers have been classified by fund type for GAAP reporting.

Auditor of State Comment from Report on Accounting Methods

The City's income tax is an unrestricted source of revenue levied for general operations and other purposes which is accounted for in a restricted fund rather than the general fund.

Implemented

The City's general purpose income tax is accounted for in the general fund.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

A manual that documents the account code structure should be maintained and made available to all City departments.

Implemented

The City's master account code listing can be printed off the system at any time. The Account Listing report lists all of the City's accounts in numerical order and provides an account description. This report serves as a quick reference when looking for the proper account to be charged.

Auditor of State Comment from Report on Accounting Methods

The City Auditor does not assign or monitor the assignment of account codes.

Implemented

The City Auditor authorizes all new account codes and directs finance department employees in the activation of the new codes.

Accounting Ledgers

Auditor of State Comment from Report on Accounting Methods

The City posts all receipt transactions at the end of each month.

Implemented

The City now posts all receipt transactions weekly.

Auditor of State Comment from Report on Accounting Methods

Monthly closing procedures should be completed on the last day of each month and the monthly reports generated and distributed the next business day.

Implemented

The City closes out the previous month in two to four working days. No business activity takes place within the two to four working days when the previous month is being closed out. This practice seems reasonable.

Auditor of State Comment from Report on Accounting Methods

The original and revised budget data should be displayed with actual data in the revenue and expenditure reports.

Implemented

The revenue and expenditure reports have a column showing budgeted amounts.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The City does not have written month-end closing procedures to include a list of reports to be printed and their distribution.

Implemented

The City has documented procedures for month-end closing reports to be printed and distributed.

Auditor of State Comment from Report on Accounting Methods

The City does not have offsite backup for its computer files.

Implemented

The City has a backup of all its computer files. A server located at the Wastewater Treatment facility functions as a “mirror”/backup of files from the server at City Hall.

Auditor of State Comment from Report on Accounting Methods

The City does not have a tested and implemented comprehensive disaster recovery plan for its computer system and accounting records.

Implemented

The City has a backup of all its computer files. A server located at the Wastewater Treatment facility functions as a “mirror”/backup of files from the server at City Hall. This system of backing up files will serve as the City’s comprehensive disaster recovery plan for its computer system and accounting records.

Receipt Transactions

Auditor of State Comment from Report on Accounting Methods

The City does not prepare pay-ins and post receipts on a daily basis.

Implemented

The City prepares pay-ins and posts receipts on a daily basis.

Auditor of State Comment from Report on Accounting Methods

The City does not follow the procedures outlined in Section 1901.026 of the Revised Code for the collection of the proportionate costs of the operations of the Municipal Court.

Implemented

The City does follow the procedures outlined in the Ohio Revised Code for the collection of the proportionate costs of the operations of the Municipal Court.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The Municipal Court does not have procedures to monitor, track, and collect fines due on outstanding parking tickets.

Implemented

The Municipal Court has determined that due to the immaterial amount of tickets written, no additional monitoring or tracking is necessary than is already being done. The Municipal Court's parking tickets list the license plate number and owner of the car. If the owner of the car does not pay by the due date on the ticket, the Municipal Court sends a letter to the individual. No further action is taken after the letter is sent, regardless of whether or not the fine is paid due to the immaterial cumulative total of the parking tickets. The City writes an average of less than 30 tickets annually at five dollars per ticket. About half of those receiving tickets pay the fine. Due to the immaterial amount of those remaining unpaid, after an initial letter requesting collection is sent, if no payment is made, no further action is taken by the Municipal Court to collect the remaining fine revenue.

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

Purchase orders are prepared without detailed item descriptions, quantities, unit prices, and extended amounts.

Implemented

Purchase orders are now prepared with detailed item descriptions, quantities, unit prices, and extended amounts.

Auditor of State Comment from Report on Accounting Methods

Purchase orders that exceed the line-item appropriation are processed by verbal management instruction and based on past practice.

Implemented

When purchase orders that exceed the line-item appropriation occurs, the City Auditor makes sure that the fund has sufficient money. If there is money available in the fund, the City Auditor will verbally authorize the expenditure. Before the end of the year, the finance department will transfer money, with Council approval, between the various line items within the fund to eliminate any negative line item balances.

Auditor of State Comment from Report on Accounting Methods

The original of the purchase order is not sent to the vendor.

Implemented

The City sends the original purchase order when the vendor requires it. However, most of the City's vendors are satisfied with the order being placed by phone call. In these cases, the City places the order over the phone and tells the vendor the purchase order number. The vendor puts the purchase order number on the invoice sent to the City.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
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Auditor of State Comment from Report on Accounting Methods

Blanket and super blanket purchase orders are not within statutory requirements.

Implemented

Blanket and super blanket purchase orders are within statutory requirements.

Auditor of State Comment from Report on Accounting Methods

The City does not use “Then and Now” certifications when warranted.

Implemented

The City Auditor does use a “Then and Now” stamp when warranted.

Auditor of State Comment from Report on Accounting Methods

The City does not maintain minutes of its bid opening meetings.

Implemented

The City does record bid openings in the minutes.

Auditor of State Comment from Report on Accounting Methods

The City does not have a comprehensive purchasing policy and procedures manual.

Implemented

The City has a purchasing policy and procedures manual.

Auditor of State Comment from Report on Accounting Methods

Purchase orders are not used for all expenditures.

Implemented

Purchase orders are used for all expenditures.

Auditor of State Comment from Report on Accounting Methods

Administrative contracts for legal services, court cleaning, and payment to the Sergeant at Arms of City Council are paid with a requisition or a signature on the invoice. Contractual payments for hospitalization premiums and claims, state auditor fees, the administration of ambulance collections, and trash removal are paid upon review and approval of the department head, administration, or Auditor. Utilities are paid once a month. These items are paid without a purchase order and the fiscal officer’s certification.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Implemented

Trash removal, utilities, legal services, court cleaning, hospitalization premiums and claims and state auditor fees are now paid with a purchase order. However, purchase orders are still not used for payment to the Sergeant of Arms due to the immaterial amount of the payment. The City no longer administers ambulance collections.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods

Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation.

Implemented

The City's funds have sufficient cash balances to cover disbursements made. This is evidenced by the absence of negative cash balances.

Auditor of State Comment from Report on Accounting Methods

Disbursements are made for expenditures without the fiscal officer's certification.

Implemented

The fiscal officer uses a purchase order or a "Then and Now" stamp to certify each expenditure.

Auditor of State Comment from Report on Accounting Methods

Management authorizes disbursements without fiscal officer certification and proper documentation (i.e., administrative contracts for legal services, court cleaning, and payment to the Sergeant at Arms of City Council).

Implemented

The City uses purchase orders for legal services and court cleaning. The City does not prepare purchase orders for payment to the Sergeant of Arms due to the immaterial amount of the billing. However, the City does have documentation for the amount billed. Also, the City Auditor will not authorize a disbursement unless there are sufficient funds to cover the expenditure and uses a "Then and Now" stamp to document this.

Auditor of State Comment from Report on Accounting Methods

Invoices are not recomputed as they are processed for payment.

Implemented

Invoices are recomputed when received from the vendor.

City of Girard, Trumbull County

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Auditor of State Comment from Report on Accounting Methods

Invoices are processed for payment that exceeds the purchase order without proper authorization.

Implemented

When an invoice exceeds the purchase order by a material amount the Auditor Clerk takes it to the Service Director to review. If the invoice amount is correct, he will sign the purchase requisition to authorize payment.

Auditor of State Comment from Report on Accounting Methods

The voucher (check copy) does not contain references to the purchase order number, the fund and account code, and other required information.

Implemented

The check copy in the voucher packet does contain the purchase order number, the fund and account code, and other required information. The fund, account code and other information is included on the purchase order and invoice that is stapled behind the check copy in the voucher packet. Therefore, all information is kept together and can be easily referenced.

Auditor of State Comment from Report on Accounting Methods

The City does not maintain a list of all personal service contracts.

Implemented

All personal service contracts are on file with the City Auditor. The City Auditor can generate a list of personal service contracts by vendor number by entering the specific account codes into his computer system. The City Auditor can then take the vendor numbers off the list and generate a report for each vendor showing business activity.

Auditor of State Comment from Report on Accounting Methods

Invoices are processed after the payment terms and discount periods have expired.

Implemented

The City chooses to pay all invoices within 30 days. They do not incur late fees and the majority of their vendors do not offer discounts.

Auditor of State Comment from Report on Accounting Methods

Invoices are processed without proper authorization and acknowledgement of receipt of the goods or services.

Implemented

Invoices are signed by the individual at the City who receives the good or service prior to payment.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

There are no written policies or procedures for the disbursement of City funds.

Implemented

There are written policies and procedures for the disbursement of funds.

Payroll Processing

Auditor of State Comment from Report on Accounting Methods

The time card does not provide adequate means to allocate an employee's hours by fund, department, and object code in departments where employees perform duties that are allocable to more than one fund.

Implemented

The time card is used only to provide record of the hours worked. All employees that have a timecard also have a payroll timesheet. The timesheet provides information regarding the fund, department and object code to be charged. The City also has an ordinance for the allocation of certain employees' salary and benefits to more than one fund.

Auditor of State Comment from Report on Accounting Methods

The City does not have formal leave accrual and usage policies established in writing and enforced for non-bargaining unit/non-union employees.

Implemented

The City's non-bargaining unit/non-union employees include non-elected officials and the Safety Service Director. Their benefits are covered under City ordinance.

Auditor of State Comment from Report on Accounting Methods

The City does not have or utilize a leave request form, except for sick leave in excess of three days, and does not require supervisors to approve all leave in writing.

Implemented

The City's employees request leave from their supervisors on a leave request form.

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies concerning the use of overtime.

Implemented

The City has a formal written policy on the use of overtime.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The same employee who processes payroll has access to and enters the changes to the employee master file.

Implemented

The City Auditor has two separate individuals performing these functions. One clerk processes payroll and another clerk changes the employee master file.

Debt Administration

Auditor of State Comment from Report on Accounting Methods

The City defaulted on its semi-annual payments on two Ohio Water Development Authority loans in the amount of \$117,439 for the 1995 Lakes Project loan and \$225,125 for the 1987 Sewer Plant loan due July 1, 2001.

Implemented

The Sewer Plant loan is now paid off and the Lakes Project loan is currently being paid. The City is current on all of its debt requirements.

Auditor of State Comment from Report on Accounting Methods

The City has not notified the County Auditor of the issuance of debt.

Implemented

The County Auditor is currently aware of the City's outstanding debt.

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

The City does not have inventory records to substantiate the amounts reported for the capital assets in its financial statements.

Implemented

The City has records to substantiate the amounts reported in the capital assets in its financial statements.

Auditor of State Comment from Report on Accounting Methods

The annual inventory of capital assets does not provide sufficient information about the capital assets, and each department uses a different format for reporting information.

Implemented

The City maintains records that provide sufficient information about the capital assets and these records are uniform for each department.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The City does not perform an annual inventory of consumable supplies nor can the City substantiate its assertion that the inventory balance at December 31 is not significant.

Implemented

Due to the City's small size, it is reasonable to assert that internal office supply inventory amounts would be insignificant and those records are not compiled. The City's street and sewer departments have instituted maintaining an inventory tracking system so that the City is aware of what is on hand in the departments that have a larger amount of consumable supplies.

Auditor of State Comment from Report on Accounting Methods

The City does not have a capital asset accounting system.

Implemented

The City tracks its capital assets through a manual system of spreadsheets.

Auditor of State Comment from Report on Accounting Methods

The City does not have policies and procedures to account for capital assets.

Implemented

The City does have policies and procedures for capital assets.

Cash Management

Auditor of State Comment from Report on Accounting Methods

The City does not include the amount of petty cash and change funds maintained within City offices on the monthly reconciliations.

Implemented

The City has a petty cash fund and a drug operations fund. The City maintains a \$500 balance in both accounts. The City does not have any change funds. The petty cash and drug operations accounts are included on the monthly reconciliations.

Auditor of State Comment from Report on Accounting Methods

The City Treasurer did not attend the Treasurer of State Annual Continuing Education Program.

Implemented

The City Treasurer has completed the Treasurer of State Annual Continuing Education Program.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies and procedures for petty cash and change funds, designating specific amounts by department or office.

Implemented

The City has a formal written policy for the petty cash fund.

Auditor of State Comment from Report on Accounting Methods

The City does not maintain an investment ledger.

Implemented

The only investments the City has are certificates of deposit and a repurchase agreement. Both types of accounts are listed on the monthly bank reconciliation.

Auditor of State Comment from Report on Accounting Methods

The City does not have a formal investment policy approved by the Treasurer or City Council.

Implemented

The City has a formal investment policy filed with the Auditor of State's office.

Auditor of State Comment from Report on Accounting Methods

The City does not have an investment advisory board.

Implemented

The City only invests in certificates of deposit and repurchase agreements and they feel that at the present time there is no need for an investment advisory board. The City is aware of the need of an investment advisory board and has addressed this board in its investment policy. Should the City start to invest in any other different investments, an investment advisory board will be formed.

Auditor of State Comment from Report on Accounting Methods

The check reimbursing petty cash is not made out to a specific individual designated as the custodian of petty cash.

Implemented

Reimbursement for petty cash is made out to the City of Girard instead of an individual and a log is used to track the use of petty cash to ensure accuracy of its balance and activity.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Financial Reporting

Auditor of State Comment from Report on Accounting Methods

The Mayor, City department heads, and Municipal Court Judge do not receive financial data on a regular, recurring basis.

Implemented

Every month the Mayor, City department heads and the Municipal Court Judge receive a packet of financial data from the City Auditor in their requested format. The packet includes (1) a statement of cash position, (2) a bank report, (3) appropriations showing year to date performance on a percentage basis by fund and department and (4) appropriations showing year to date performance on a percentage basis by object level within each department.

Auditor of State Comment from Report on Accounting Methods

Budget and actual data is not monitored and revised as circumstances require.

Implemented

Budget and actual data is monitored and discussed at finance meetings and when necessary amendments to appropriations are requested. This is evidenced by the amendment made to the 2011 permanent appropriations and the updates to the 2011 amended certificate of estimated resources.

Auditor of State Comment from Report on Accounting Methods

City Council does not receive monthly reports for all funds and departments at the legal level of control adopted by council.

Implemented

Every month the City Council receives a packet of monthly reports from the City Auditor. The packet includes (1) a statement of cash position, (2) a bank report, (3) appropriations showing year to date performance on a percentage basis by fund and department and (4) appropriations showing year to date performance on a percentage basis by object level within each department. The legal level of control has been established by Council at the object level by department for the general fund and at the fund level for all other funds. The two appropriation reports given to Council show information at the legal level of control for the general fund and all other funds.

Recording Official Proceedings

Auditor of State Comment from Report on Accounting Methods

Minutes of some Council Committee meetings were not maintained and some meeting minutes were not readily available.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Implemented

The City's minutes are well maintained and readily available. The minutes are kept in the Mayor's office. The most recent minutes are kept in a locked black binder labeled "Council Record".

Auditor of State Comment from Report on Accounting Methods

Minutes of some meetings were not signed by the Council President and the Clerk of Council.

Implemented

Minutes are signed by the Council President and the Clerk of Council.

Auditor of State Comment from Report on Accounting Methods

Council minutes state that various reports were presented to Council; however, copies of the reports were not available.

Implemented

Every month the City Council receives a packet of monthly reports from the City Auditor. The packet includes (1) a statement of cash position, (2) a bank report, (3) appropriations showing year to date performance on a percentage basis by fund and department and (4) appropriations showing year to date performance on a percentage basis by object level within each department. Copies of these reports were readily available from the City Auditor.

Auditor of State Comment from Report on Accounting Methods

The City Council's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions.

Implemented

The City Council's minutes provide information permitting the public's understanding of the rationale behind Council's decisions.

Auditor of State Comment from Report on Accounting Methods

Resolutions and ordinances do not always have signatures and the appropriate dates of passage written on the documents.

Implemented

Resolutions and ordinances were signed and included the appropriate dates of passage.

Auditor of State Comment from Report on Accounting Methods

The City does not have minutes for the bid openings.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
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Implemented

The bid openings are recorded in the minutes.

Audit Report and Management Letters

The City Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2009, and 2010 audit identified a number of noncompliance issues and several recommendations.

The noncompliance issues noted in the audit included not revising the existing financial plan, not certifying the expenditures prior to expending funds, weakness with the water/sewer billing and collection process, unreconciled bank to book balances due to not reconciling on a monthly basis and cash management for the grant funds not meeting the fifteen day rule.

In addition, the management letter made several recommendations including adopting accounting policies, timing issues with deposits, expenditures and council minutes, not appropriately allocating audit costs, having a deficit fund balance, reevaluating capital asset depreciation, reexamine all outstanding checks on the cash reconciliation, establishing formal job descriptions and an audit committee, making sure that all purchase orders have appropriate signatures and ensuring that they receive a SAS 70 report for its medical claim provider. The City is working on addressing these recommendations.

Several of the noncompliance items and recommendations from the current audit were also addressed in the Report on Accounting Methods discussed earlier in this section of the report. The City is also in the process of correcting some of the remaining issues identified in the audit. Verification of the resolution of these issues will be confirmed in the City's next audit. The remaining issues are not issues that would prevent termination of the Financial Planning and Supervision Commission.

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the City shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

A summary of the City's outstanding debt as of December 30, 2011, is as follows:

Debt Issue	Year Issued	Interest Rate	Issue Amount
OWDA Loans			
Lakes Project	1995	6.87%	\$2,500,000
Liberty Water	1996	6.36	46,550
Water Distribution	2000	6.36	435,092
Water and Sewer Loan	2002	5.65	687,526
Liberty Waterline Replacement	2011	n/a	414,560
OPWC Loan			
Navajo Drive Storm Sewer Project	1999	0.00	171,897
Bond Anticipation Notes			
Justice Center	2011	3.00	2,737,542
Street Widening Project	2011	3.00	1,696,211
Police and Fire Pension	1993	1.65	333,296

We reviewed the outstanding indebtedness as of December 30, 2011. The City had \$5,665,916 in outstanding debt at December 30, 2011, and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at December 30, 2011.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We reviewed the payroll records of the City as of December 30, 2011. We reviewed Council minutes, ordinances, resolutions, and had discussions with the City Auditor to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the payroll reports and the payroll bank statement to determine whether City employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 30, 2011. All employees had been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Trumbull County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the City for 2011, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Trumbull County Budget Commission indicated that the Commission had not taken any action for tax year 2011 to increase the inside millage of the City.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 30, 2011.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in the respective special funds lawfully available to pay such accounts, excluded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2011, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2011, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties.

We prepared a schedule of accounts payable (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2011. From this amount, we subtracted the year-end fund balance available to pay such outstanding bills. We then determined if the accounts payable in excess of the available fund balance exceeded one-sixth of the available revenues during 2011, excluding non-recurring receipts of all special funds from which such accounts are lawfully payable.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Schedule I

All Funds Accounts Payable Over 30 Days Past Due
Ohio Revised Code Section 118.03(A)(4)
As of December 31, 2011

Funds	Payables Over 30 Days Past Due	Fund Balance Available	Payables In Excess of Available Balance	One-Sixth of the Revenues Available	Accounts Payable in Excess of Available Revenues
Water Revenue	\$65,255	\$44,314	\$20,941	\$464,218	\$0

Conclusion: Schedule I indicates a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2011. The payables in excess of available balance in the Water Revenue fund did not exceed one-sixth of revenues available.

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2011, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the fund receipts of those deficit funds.

Schedule II

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2011

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds With Deficit Balances	One-Sixth Fund Receipts	Unprovided Portion of Aggregate
Water Revenue	\$45,214	\$66,214	(\$21,000)	\$288,802	\$0

Conclusion: Schedule II indicates that a fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. The adjusted aggregate deficit of the Water Revenue fund did not exceed one-sixth of the receipts of that fund.

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the City's reconciled bank balance to its cash summary by fund for all funds as of December 31, 2011, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Schedule III

Treasury Balances

Ohio Revised Code Section 118.03(A)(6)

As of December 31, 2011

	Amounts at December 31, 2011
Bank Cash Balance	
General Account	\$1,570,942
Perpetual Care Account	22,032
OWDA Account	185,342
Cemetery Accounts	2,830
Girard Lakes/Dam Account	14,467
C. H. I. P. Account	6,814
Traffic Camera Account	6,780
Investment Account	150,865
Certificate of Deposits	25,178
<i>Total Bank Cash</i>	<u>1,985,250</u>
<i>Adjustments for:</i>	
Outstanding Checks	(211,558)
Other	29,104
<i>Total Adjustments</i>	<u>(182,454)</u>
<i>Total Treasury Balance</i>	<u>1,802,796</u>
Less: Positive Cash Fund Balances	
General	326,000
Municipal Court Special Projects	12,354
Street Construction	103,394
State Highway	28,102
Street Permissive	120,716
Garbage	37,979
Special Restaurant	398
Weed Cutting	9,382
Condemmed Housing	50
Hospitalization	4,236
Elderly Bus Fare	150
Law Enforcement Drug	7,702
Home Health Nursing	10,529
Recreation	4,080
Rental Inspection	7,194
Trash Haulers	704
C & DD Water	12,029
Community Block Grant	6,254
CHIPS/CHIS	9,658

(Continued)

City of Girard, Trumbull County

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Schedule III

Treasury Balances (Continued)
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2011

	Amounts at December 31, 2011
EPA Grant	\$5
COPS	10,084
Swimming Pool	2,325
Fire Levy	3,935
Senior Levy	2,046
General Bond Retirement	1,621
OWDA Debt Schedule	185,035
FEMA Emergency	7,739
Water Revenue	45,214
Water Deposits	193,440
Sewer Rental	202,380
S. R. Equipment Replacement	121,299
Cemetery	59,387
Perpetual Care	47,064
Cemetery T. C. Tomko	1,024
Cemetery T. C. King Sek	1,277
Cemetery T. C. Mausoleum	848
Fire Pension	6,271
Police Pension	5,439
Municipal Probation	29,026
Agency Reimbursement	8,857
Unclaimed Monies	25,866
State Highway Patrol	8,384
Capital Improvement	5,002
Lakes/Dam Project	13,615
Capital Improvement Safety	4,331
Trailer Park	1,727
Municipal Court Computer A	15,668
Municipal Court Computer B	29,096
Indigent Drivers Alcohol	62,060
Enforcement and Education	1,820
Total Positive Balances	<u>1,802,796</u>
Treasury Deficiency	<u>\$0</u>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2011. The treasury balance less the positive fund cash balances as of December 31, 2011, did not exceed one-sixth of the treasury receipts for the year.

Report on the Termination of the City of Girard
Financial Planning and Supervision Commission

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the City and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the City in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

**City of Girard
Trumbull County**

Financial Forecast

For the Years Ending December 31, 2012 through December 31, 2016

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City of Girard, Ohio

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Dave Yost • Auditor of State

City Council
City of Girard
100 West Main Street, Suite 4
Girard, Ohio 44420-2598

Based upon the requirement set forth in section 118.27(A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, expenses, and changes in fund balance of the various funds of the City of Girard, for the five years ending December 31, 2016. These statements are presented on the budget basis of accounting used by the City of Girard rather than on generally accepted accounting principles. The City of Girard's management is responsible for the forecast. Our responsibility is to determine whether the City has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the City of Girard and the Financial Planning and Supervision Commission of Girard and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

DAVE YOST
Auditor of State

April 25, 2012

City of Girard, Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2009, Through 2011, Actual
and Ending December 31, 2012, Through 2016, Forecasted
General Fund

	2009 Actual	2010 Actual	2011 Actual
Revenues			
Property Taxes	\$285,787	\$274,155	\$246,512
Municipal Income Tax	3,131,640	2,786,503	4,000,859
Intergovernmental	433,642	341,766	330,100
Fees, Licenses and Permits	248,553	202,674	233,746
Fines and Forfeitures	539,181	812,213	493,972
Investment Income	11,678	2,984	1,108
Other	182,778	41,554	95,429
Total Revenues	4,833,259	4,461,849	5,401,726
Expenditures			
Current:			
General Government			
Mayor			
Personal Services	15,047	15,047	15,047
Fringe Benefits	2,173	2,163	2,324
Contractual Services	1,142	1,274	615
Total Mayor	18,362	18,484	17,986
Auditor			
Personal Services	34,877	25,106	38,407
Fringe Benefits	5,453	4,222	6,430
Contractual Services	13,653	12,986	14,656
Total Auditor	53,983	42,314	59,493
City Hall			
Personal Services	114,237	110,728	120,138
Fringe Benefits	16,140	16,952	15,722
Contractual Services	139,702	140,694	155,369
Total City Hall	270,079	268,374	291,229
Engineer			
Personal Services	1,200	1,200	1,200

<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>
\$261,575	\$261,575	\$261,575	\$261,575	\$261,575
4,300,000	3,950,000	3,650,000	3,650,000	3,650,000
244,000	234,000	234,000	234,000	234,000
233,746	233,746	233,746	233,746	233,746
493,972	493,972	493,972	493,972	493,972
1,108	1,108	1,108	1,108	1,108
88,834	88,834	88,834	88,834	88,834
<u>5,623,235</u>	<u>5,263,235</u>	<u>4,963,235</u>	<u>4,963,235</u>	<u>4,963,235</u>
16,016	16,016	16,336	16,336	16,336
2,480	2,530	2,580	2,632	2,684
1,100	1,122	1,144	1,167	1,191
<u>19,596</u>	<u>19,668</u>	<u>20,061</u>	<u>20,135</u>	<u>20,211</u>
44,680	44,680	45,574	45,574	45,574
7,020	7,160	7,304	7,450	7,599
23,152	14,949	15,248	15,553	15,864
<u>74,852</u>	<u>66,790</u>	<u>68,125</u>	<u>68,576</u>	<u>69,036</u>
115,100	115,100	117,402	117,402	117,402
17,870	18,227	18,592	18,964	19,343
175,600	158,476	161,646	164,879	168,176
<u>308,570</u>	<u>291,804</u>	<u>297,640</u>	<u>301,245</u>	<u>304,921</u>
<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>

(continued)

City of Girard, Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2009, Through 2011, Actual
and Ending December 31, 2012, Through 2016, Forecasted
General Fund (continued)

	2009 <u>Actual</u>	2010 <u>Actual</u>	2011 <u>Actual</u>
Council			
Personal Services	\$29,403	\$29,063	\$29,373
Fringe Benefits	4,407	3,993	4,355
Contractual Services	<u>1,630</u>	<u>1,650</u>	<u>1,387</u>
Total Council	<u>35,440</u>	<u>34,706</u>	<u>35,115</u>
Law Director			
Personal Services	<u>11,464</u>	<u>11,464</u>	<u>11,464</u>
Legal - Prosecutor			
Personal Services	33,568	33,586	34,185
Fringe Benefits	17,317	30,031	17,433
Contractual Services	<u>3,775</u>	<u>4,930</u>	<u>4,198</u>
Total Legal - Prosecutor	<u>54,660</u>	<u>68,547</u>	<u>55,816</u>
Municipal Court			
Personal Services	408,119	407,726	432,527
Fringe Benefits	216,888	215,188	182,625
Contractual Services	<u>71,056</u>	<u>72,790</u>	<u>82,822</u>
Total Municipal Court	<u>696,063</u>	<u>695,704</u>	<u>697,974</u>
Health			
Personal Services	13,234	0	23,437
Fringe Benefits	1,779	0	3,621
Contractual Services	<u>2,069</u>	<u>248</u>	<u>0</u>
Total Health	<u>17,082</u>	<u>248</u>	<u>27,058</u>
Treasurer			
Personal Services	6,900	6,900	6,900
Fringe Benefits	1,032	960	1,066
Contractual Services	<u>106,266</u>	<u>94,309</u>	<u>124,969</u>
Total Treasurer	<u>114,198</u>	<u>102,169</u>	<u>132,935</u>

<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>
\$43,770	\$43,770	\$43,770	\$43,770	\$43,770
6,540	6,671	6,804	6,940	7,079
1,400	1,428	1,457	1,486	1,515
<u>51,710</u>	<u>51,869</u>	<u>52,031</u>	<u>52,196</u>	<u>52,365</u>
<u>10,166</u>	<u>10,166</u>	<u>10,166</u>	<u>10,166</u>	<u>10,166</u>
35,500	35,500	35,500	35,500	35,500
29,965	30,564	31,176	31,799	32,435
4,500	4,590	4,682	4,775	4,871
<u>69,965</u>	<u>70,654</u>	<u>71,357</u>	<u>72,075</u>	<u>72,806</u>
443,333	443,333	452,200	452,200	452,200
201,713	205,747	209,862	214,059	218,341
84,478	86,168	87,891	89,649	91,442
<u>729,524</u>	<u>735,248</u>	<u>749,953</u>	<u>755,908</u>	<u>761,982</u>
71,365	72,079	73,520	73,520	73,520
11,035	11,256	11,481	11,710	11,945
0	0	0	0	0
<u>82,400</u>	<u>83,334</u>	<u>85,001</u>	<u>85,231</u>	<u>85,465</u>
6,901	6,901	6,901	6,901	6,901
1,068	1,089	1,111	1,133	1,156
124,000	126,480	129,010	131,590	134,222
<u>131,969</u>	<u>134,470</u>	<u>137,022</u>	<u>139,624</u>	<u>142,279</u>

(continued)

City of Girard, Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2009, Through 2011, Actual
and Ending December 31, 2012, Through 2016, Forecasted
General Fund (continued)

	2009 <u>Actual</u>	2010 <u>Actual</u>	2011 <u>Actual</u>
Civil Service			
Other	\$1,013	\$0	\$0
Miscellaneous			
Personal Services	0	16,500	0
Fringe Benefits	120,306	113,047	115,148
Contractual Services	160,712	146,384	185,246
Other	192,361	120,383	58,325
Total Miscellaneous	<u>473,379</u>	<u>396,314</u>	<u>358,719</u>
Total General Government	<u>1,746,923</u>	<u>1,639,524</u>	<u>1,688,989</u>
Security of Persons and Property			
Police			
Personal Services	1,081,177	948,273	956,654
Fringe Benefits	488,896	448,011	435,992
Contractual Services	81,943	100,549	108,715
Materials and Supplies	54,689	51,337	60,408
Capital Outlay	0	0	0
Total Police	<u>1,706,705</u>	<u>1,548,170</u>	<u>1,561,769</u>
Fire			
Personal Services	498,807	614,109	545,610
Fringe Benefits	348,591	277,000	401,133
Contractual Services	33,068	23,285	41,563
Materials and Supplies	13,085	14,073	15,574
Capital Outlay	0	0	0
Total Fire	<u>893,551</u>	<u>928,467</u>	<u>1,003,880</u>
Street Lighting			
Contractual Services	80,964	95,058	95,072
Total Security of Persons and Property	<u>2,681,220</u>	<u>2,571,695</u>	<u>2,660,721</u>

<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>
<u>\$7,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
0	0	0	0	0
111,427	116,998	122,848	128,991	135,440
83,266	84,099	84,940	85,789	86,647
94,000	94,000	94,000	94,000	94,000
<u>288,693</u>	<u>295,097</u>	<u>301,788</u>	<u>308,780</u>	<u>316,087</u>
<u>1,775,645</u>	<u>1,760,300</u>	<u>1,794,344</u>	<u>1,815,135</u>	<u>1,836,518</u>
1,009,900	963,716	974,002	974,002	974,002
395,046	405,047	405,557	413,668	421,941
103,400	105,468	107,577	109,729	111,923
54,000	55,080	56,182	57,305	58,451
280,000	0	0	0	0
<u>1,842,346</u>	<u>1,529,311</u>	<u>1,543,318</u>	<u>1,554,704</u>	<u>1,566,318</u>
625,200	585,200	595,104	595,104	595,104
325,501	332,011	338,651	345,424	352,333
70,500	71,910	73,348	74,815	76,311
15,300	15,606	15,918	16,236	16,561
100,000	0	0	0	0
<u>1,136,501</u>	<u>1,004,727</u>	<u>1,023,022</u>	<u>1,031,580</u>	<u>1,040,309</u>
<u>95,200</u>	<u>97,104</u>	<u>99,046</u>	<u>101,027</u>	<u>103,048</u>
<u>3,074,047</u>	<u>2,631,142</u>	<u>2,665,385</u>	<u>2,687,311</u>	<u>2,709,675</u>

(continued)

City of Girard, Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2009, Through 2011, Actual
and Ending December 31, 2012, Through 2016, Forecasted
General Fund (continued)

	2009	2010	2011
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Community Environment			
Zoning			
Personal Services	\$9,720	\$10,390	\$13,075
Fringe Benefits	1,560	1,524	2,082
Contractual Services	<u>13,378</u>	<u>11,957</u>	<u>6,414</u>
Total Community Environment	<u>24,658</u>	<u>23,871</u>	<u>21,571</u>
Transportation			
Service Director			
Personal Services	12,112	12,121	12,403
Fringe Benefits	1,590	1,550	1,697
Contractual Services	<u>3,730</u>	<u>2,997</u>	<u>3,447</u>
Total Service Director	<u>17,432</u>	<u>16,668</u>	<u>17,547</u>
Elderly Bus			
Personal Services	13,440	12,583	11,369
Fringe Benefits	1,542	1,707	1,758
Contractual Services	<u>1,505</u>	<u>324</u>	<u>1,342</u>
Total Elderly Bus	<u>16,487</u>	<u>14,614</u>	<u>14,469</u>
Total Transportation	<u>33,919</u>	<u>31,282</u>	<u>32,016</u>
Total Expenditures	<u>4,486,720</u>	<u>4,266,372</u>	<u>4,403,297</u>
Excess of Revenues Over Expenditures	<u>346,539</u>	<u>195,477</u>	<u>998,429</u>
Other Financing Sources (Uses)			
Advances In from Water Fund	0	0	0
Advances Out to Eliminate Deficit Funds	0	0	(175,000)
Transfers Out	<u>(556,769)</u>	<u>(232,618)</u>	<u>(504,181)</u>
Total Other Financing Uses	<u>(556,769)</u>	<u>(232,618)</u>	<u>(679,181)</u>
Changes in Fund Balance	(210,230)	(37,141)	319,248
Fund Balance Beginning of Year	<u>282,446</u>	<u>72,216</u>	<u>35,075</u>
Fund Balance End of Year	<u><u>\$72,216</u></u>	<u><u>\$35,075</u></u>	<u><u>\$354,323</u></u>

<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>
\$13,000	\$13,000	\$13,260	\$13,260	\$13,260
1,806	1,842	1,879	1,917	1,955
<u>6,000</u>	<u>6,120</u>	<u>6,242</u>	<u>6,367</u>	<u>6,495</u>
<u>20,806</u>	<u>20,962</u>	<u>21,381</u>	<u>21,544</u>	<u>21,709</u>
12,775	12,775	12,775	12,775	12,775
1,795	1,831	1,868	1,905	1,943
<u>3,600</u>	<u>3,672</u>	<u>3,745</u>	<u>3,820</u>	<u>3,897</u>
<u>18,170</u>	<u>18,278</u>	<u>18,388</u>	<u>18,500</u>	<u>18,615</u>
10,305	10,305	10,511	10,511	10,511
1,595	1,627	1,659	1,693	1,726
<u>1,500</u>	<u>1,530</u>	<u>1,561</u>	<u>1,592</u>	<u>1,624</u>
<u>13,400</u>	<u>13,462</u>	<u>13,731</u>	<u>13,796</u>	<u>13,861</u>
<u>31,570</u>	<u>31,740</u>	<u>32,119</u>	<u>32,296</u>	<u>32,476</u>
<u>4,902,068</u>	<u>4,444,143</u>	<u>4,513,229</u>	<u>4,556,286</u>	<u>4,600,379</u>
<u>721,167</u>	<u>819,092</u>	<u>450,006</u>	<u>406,949</u>	<u>362,856</u>
175,000	0	0	0	0
0	0	0	0	0
<u>(560,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>
<u>(385,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>	<u>(560,000)</u>
336,167	259,092	(109,994)	(153,051)	(197,144)
<u>354,323</u>	<u>690,490</u>	<u>949,582</u>	<u>839,587</u>	<u>686,537</u>
<u>\$690,490</u>	<u>\$949,582</u>	<u>\$839,587</u>	<u>\$686,537</u>	<u>\$489,393</u>

City of Girard, Trumbull County

*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2009, Through 2011, Actual
and Ending December 31, 2012, Through 2016, Forecasted
Community Oriented Policing Services (COPS) Grant Fund*

	2009 Actual	2010 Actual	2011 Actual
Revenues			
Intergovernmental	\$0	\$43,251	\$51,156
Expenditures			
COPS Grant			
Personal Services	0	37,373	38,021
Fringe Benefits	0	5,166	3,763
Total Expenditures	0	42,539	41,784
Changes in Fund Balance	0	712	9,372
Fund Balance Beginning of Year	0	0	712
Fund Balance End of Year	\$0	\$712	\$10,084

<u>2012</u> <u>Forecasted</u>	<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>
<u>\$42,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
38,900	10,084	0	0	0
<u>2,600</u>	<u>500</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>41,500</u>	<u>10,584</u>	<u>0</u>	<u>0</u>	<u>0</u>
500	(10,584)	0	0	0
<u>10,084</u>	<u>10,584</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$10,584</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

City of Girard, Trumbull County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2009, Through 2011, Actual
and Ending December 31, 2012, Through 2016, Forecasted
Sewer Rental Fund

	2009 Actual	2010 Actual	2011 Actual
Revenues:			
Charges for Services	\$1,761,902	\$1,601,450	\$1,728,190
Other	11,255	201,687	4,621
Total Revenues	<u>1,773,157</u>	<u>1,803,137</u>	<u>1,732,811</u>
Expenditures			
Sewer Department			
Personal Services	625,974	629,910	630,003
Fringe Benefits	384,594	417,894	353,851
Contractual Services	581,510	611,276	573,405
Materials and Supplies	55,693	56,982	67,789
Other	7,331	6,260	2,062
Debt Service	49,192	56,400	56,358
Total Expenditures	<u>1,704,294</u>	<u>1,778,722</u>	<u>1,683,468</u>
Changes in Fund Balance	68,863	24,415	49,343
Fund Balance Beginning of Year	<u>59,759</u>	<u>128,622</u>	<u>153,037</u>
Fund Balance End of Year	<u><u>\$128,622</u></u>	<u><u>\$153,037</u></u>	<u><u>\$202,380</u></u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Forecasted</u>	<u>Forecasted</u>	<u>Forecasted</u>	<u>Forecasted</u>	<u>Forecasted</u>
\$1,700,000	\$1,800,000	\$1,800,000	\$1,800,000	\$1,800,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>1,700,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>
590,900	590,900	601,698	601,698	601,698
373,611	381,083	388,705	396,479	404,409
577,300	588,846	600,623	612,635	624,888
71,300	72,726	74,181	75,664	77,177
2,250	2,295	2,341	2,388	2,435
<u>45,055</u>	<u>45,260</u>	<u>45,260</u>	<u>45,261</u>	<u>45,260</u>
<u>1,660,416</u>	<u>1,681,110</u>	<u>1,712,807</u>	<u>1,734,125</u>	<u>1,755,868</u>
39,584	118,890	87,193	65,875	44,132
<u>202,380</u>	<u>241,964</u>	<u>360,854</u>	<u>448,046</u>	<u>513,921</u>
<u>\$241,964</u>	<u>\$360,854</u>	<u>\$448,046</u>	<u>\$513,921</u>	<u>\$558,054</u>

City of Girard, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2012, through 2016

Note 1 - The City

The City of Girard is located in north east Ohio in Trumbull County. The City is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory city, Girard must comply with all State laws regulating city government. The decision making process is directed by an elected City Council and other elected officials including a Mayor, Auditor, Treasurer and Law Director. The City Council is the legislative authority of the City and consists of four members elected from the four wards of the City, three members who are elected at large and a council president who is elected at large and serve terms of two years. The Mayor is the chief executive officer of the Village and serves a term of four years. The City Auditor is the chief financial officer and serves a term of four years. The City Treasurer and Law Director each serve a term of four years.

On August 8, 2001, the Auditor of State's office declared the City of Girard to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations within the City and two representatives from the State of Ohio. This Commission approved a financial recovery plan which has been adopted by the City. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the City must be in accordance with the plan.

The City of Girard provides general governmental services including police protection, fire fighting and prevention, street construction and maintenance and water and sewer utilities. The operation of each of these activities is directly controlled by the City Council through the budgetary process. The administration includes the Mayor, City Auditor, Police Chief, Fire Chief and the Safety Service and Human Resources Director.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the City's knowledge and belief, the expected revenues, expenditures, expenses, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the City's judgment, as of April 25, 2012, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the City. These funds include:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Community Oriented Policing Services (COPS) Grant Fund - This fund accounts for revenues received from the State government and expenditures as prescribed under the COPS program.

Sewer Rental Fund - This fund accounts for the provision of wastewater treatment services to residential and commercial users within the City.

City of Girard, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2012, through 2016

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. 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 segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that 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 operating fund of the City and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the City for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Permanent Funds - Permanent funds account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the School District or its students.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

City of Girard, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2012, through 2016

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance 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.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the City, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing 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.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by City Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property, and prior to 2011, tangible personal property taxes. The City may request advances from the Trumbull County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

City of Girard, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2012, through 2016

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the City for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2011 for taxes collected in 2012. The next triennial update will take place in 2014 for taxes collected in 2015 with the next reappraisal scheduled for 2017. The City’s assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	2008	2009	2010	2011
Real Property				
Residential and Agriculture	\$982,744	\$982,555	\$981,950	\$1,133,373
Commercial and Industrial	203,087	204,245	210,638	244,232
Public Utility				
Personal Property	45,093	43,732	42,012	48,909
Tangible Personal Property	42,617	4,134	2,143	0
Total Assessed Value	<u>\$1,273,541</u>	<u>\$1,234,666</u>	<u>\$1,236,743</u>	<u>\$1,426,514</u>

The property tax revenues are generated from inside and voted millage receipted into the General Fund, Cemetery Fund, Fire Pension Fund, Police Pension Fund, Garbage Fund, Senior Citizen Fund, and Fire Operating Fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Fund	Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	\$2.30
Cemetery Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	0.20
Fire Pension Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	0.30
Police Pension Fund	Inside Ten Mill Limitation (Unvoted)	n/a	n/a	n/a	0.30
Garbage Fund	Current Expense (1976)	2011	2012	2017	2.30
Garbage Fund	Current Expense (1982)	2007	2008	2013	1.00
Garbage Fund	Current Expense (1998)	2008	2009	2014	0.80
Garbage Fund	Current Expense	2010	2011	2016	1.50
Senior Citizen Fund	Current Expense	2007	2008	2013	1.80
Fire Operating Fund	Current Expense (2004)	2009	2010	2015	3.00
Total Tax Rate					<u>\$13.50</u>

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

City of Girard, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2012, through 2016

Real Property - Real property taxes increased in 2012 due to new construction coming onto the tax bill as well as the 2011 reappraisal. Property values are expected to remain the same until 2016 due to the overall economy of the City.

Tangible Personal Property - Tangible personal property taxes have had a number of changes in the past several years. Effective for tax years 2005 and 2006, the assessment rate on inventory was to be reduced by 2 percent if the total statewide collections of personal property taxes for the second preceding year exceeded the total statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by 2 percent per year until completely phased out, regardless of the growth in collections.

Beginning in 2006, House Bill 66 phased out, by 25 percent each year, tangible personal property tax on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase-out periods addressed above. No tangible personal property taxes have been levied or collected since 2009 from general business taxpayers, except telephone companies whose last year to pay tangible personal property tax was 2010. The State of Ohio reimburses the City for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenues below).

B. Municipal Income Taxes

The City levies a municipal income tax of two percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to the amount owed for taxes paid to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax revenue is credited to the General and used to pay the cost of administering the tax and for general governmental operations. The General Fund transfers income tax revenues to the General Bond Retirement and Recreation funds based upon a percentage set by ordinance. Income tax revenues increased in 2011 due to V & M Star expanding their facility. Income tax revenues are expected to increase in 2012 based upon the anticipated additional income tax collections from V & M Star. During 2013 and 2014, income tax revenues are expected to decrease as the construction of V & M Star is completed and the City will no longer receive the additional income tax revenue on the contractors working within the City.

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the City and by the County Auditor to the City. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

City of Girard, Trumbull County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2012, through 2016

Beginning in 2006, the State reimbursed the City for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the City was fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased-out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the City is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented.

In 2011, HB153 accelerates the phase-out of the tangible personal property tax reimbursements by two percentage points per year based on the entity's 2010 tax year reimbursements.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes caused by the homestead and rollback tax relief programs.

In tax collection year 2008, the State granted an additional homestead exemption for the first \$25,000 in market value. This exemption increases property tax allocation receipts and decreases general property tax receipts by an equal amount.

The State exempts the first \$10,000 in tangible personal property from taxation. In prior years, the State reimbursed the City for the lost revenue. In 2004, the State began to phase-out the reimbursement by 10 percent each year. Under House Bill 66, the phase-out period was accelerated. The last reimbursement for this exemption was in October 2008.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, HB153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions will be approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

Note 5 - Specific Fund Revenue Assumptions

A. General Fund

Fees, Licenses and Permits - Licenses and permits receipts represent liquor and beer permits, building permits and inspections, electrical permits and inspections, landfill tipping fees, as well as cable franchise fees. Amounts collected for the various permits, inspections and fees remain approximately the same annually. Cable franchise fees are 3 percent of gross receipts collected by the cable provider. No increase is anticipated in these revenues.

Fines and Forfeitures - Fines and forfeitures represent revenues received from court fines. No increase is anticipated in these revenues.

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Interest - Interest receipts are expected to be minimal due to very low interest rates and a relatively static fund balance throughout the forecast period.

Other Revenues - The City has allowed the drilling of gas wells on City owned property. The royalties received from the gas wells are expected to remain fairly consistent. During 2009, the City received a First Energy grant when the City agreed to extend the aggregation agreement with First Energy. This is not expected to reoccur during the forecast period.

B. COPS Grant Fund

Intergovernmental - Intergovernmental receipts consist of the COPS grant. The City has applied for the grant in 2012. Due to the uncertainty of the grant approval, this is forecasted at zero during 2014 through 2016.

C. Sewer Rental Fund

Charges for Services - The City charges residents and commercial users for sewer service. The increase in 2013 is due to the increase in usage from the expansion of V & M Star.

Other - The City periodically receipts miscellaneous revenue into the Sewer Rental Fund. During 2010, the City received \$200,000 from the City of Youngstown. The City of Youngstown agreed to pay for the costs of upgrading the sewer facility. Due to the nature of the revenue, this is forecasted at zero during 2012 through 2016.

Note 6 - Expenditure Assumptions - All Funds

A. Personal Services

Personal services include the salaries paid to the employees and elected officials of the City. The City's employees are paid on a bi-weekly basis. The Mayor, City Auditor, City Treasurer and Law Director are paid on a bi-weekly basis. The City Council is paid monthly. City Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave.

The City has labor agreements with the Ohio Patrolman's Benevolent Association, International Association of Fire Fighters, Local 1220, and American Federation of State, County and Municipal Employees, Local 3356. All labor agreements expire December 31, 2012. All bargaining unit employees are paid longevity based on years of service.

The City Council consists of seven members with an annual salary of \$4,606 and a council president with an annual salary of \$4,928. City Council is paid from the General Fund.

The Mayor's annual salary is \$45,760 and gets reimbursed for some travel expenses. The Mayor is paid 35 percent from the General Fund and 25 percent each from the Street, Construction, Maintenance and Repair Fund, the Water Revenue Fund and the Sewer Rental Fund.

The City Auditor's annual salary is \$41,008 and is paid 34 percent from the General Fund and 33 percent each from the Water Revenue Fund and the Sewer Rental Fund.

The Law Director's annual salary is \$30,524 and is paid 34 percent from the General Fund and 33 percent each from the Water Revenue Fund and the Sewer Rental Fund.

The City Treasurer's annual salary is \$6,900 and is paid from the General Fund.

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The City employs 11 full time employees in the Sewer Rental Fund.

The City employs one police officer in the COPS Grant Fund.

The salaries and wages for all employees, except for elected officials, are anticipated to increase 2 percent in 2014 with no additional increases within the forecast period. No increases are expected for the elected officials within the forecast period.

During 2012, two employees are forecasted to retire. No additional employees are expected to retire within the remaining forecast period.

B. Fringe Benefits

Fringe benefits include employer contributions to the State pension system, workers' compensation, Medicare, vacation, sick leave, personal days and medical, prescription, eye care and dental health coverage.

All employees and/or elected officials, except police and fire, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 14 percent (the maximum) of their annual salary.

Police and fire employees participate in the Ohio Police and Fire Retirement System (OP&F). OP&F provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the City is required to contribute 19.5 percent for police and 24 percent for fire (the maximum) of their annual salary.

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

Employees, except elected officials, are entitled to two to seven weeks of vacation leave depending on length of service. Employees earn sick leave at a rate of one and one-fifteenth days per month.

The City has elected to provide vision, dental, prescription drug, and hospital/medical benefits to its employees through a self insured program. The maintenance of these benefits is accounted for in the Hospitalization Internal Service Fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$45,000 per individual and \$1,400,000 for the City as a whole.

Rates are based on recommended amounts from the City's third party administrator. All funds are charged for the number of employees participating in the program and the type (single or family) of coverage provided to each employee. The monthly premium paid by the funds during 2011 was \$175.87 for single coverage and \$349.42 for family coverage. The monthly premium paid by employees was \$15.00 for single coverage and \$30.00 for family coverage. Claims are charged to the funds based upon where the employee is paid.

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C. Contractual Services

Contractual services include property and liability insurance, utility charges (telephone, internet, electricity, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, and accounting and auditing services. Audits will be performed annually and will be paid 50.9 percent from General, 7.8 percent from Street Construction, Maintenance and Repair, 1 percent from Cemetery, 24.2 percent from Water, and 16.1 percent from Sewer funds.

Increases in contractual services are projected to be two percent based upon historical trends.

D. Supplies and Materials

Supplies and materials expenditures include office supplies, operating supplies (chemicals, salt, and gasoline), and repair and maintenance costs. Supplies and materials are anticipated to increase 2 percent per year based upon historical trends.

E. Capital Outlay

In 2012, the City is expected to purchase eight police cruisers for the police department and one utility truck for the fire department. There are no additional capital outlay expenditures in the forecast period.

F. Debt Service

On July 22, 2011, the City issued \$3,874,155 in bond anticipation notes to retire the previous notes outstanding for the justice center and street widening projects. The interest rate on the notes is 3 percent with a maturity date of July 20, 2012. The City has historically paid 10 percent of the principal in the General Bond Retirement Fund with income tax revenue transfers from the General Fund. The remaining amount principal owed is reissued as a new one year note.

The original issue date, interest rate, original issue amount, and maturity date for the City's long-term obligations as of December 31, 2011, were as follows:

During 2002, the City obtained a \$687,526 loan with an interest rate of 5.65 percent from the Ohio Water Development Authority for a joint water and sewer project. The loan is paid 65 percent from the Sewer Rental Fund and 35 percent from the Water Revenue Fund. The loan matures on January 1, 2017.

Principal and interest requirements to retire the City's OWDA loan are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$51,189	\$17,387	\$68,576
2013	54,123	14,454	68,577
2014	57,224	11,353	68,577
2015	60,502	8,074	68,576
2016	63,969	4,607	68,576
2017	33,346	942	34,288
Total	<u>\$320,353</u>	<u>\$56,817</u>	<u>\$377,170</u>

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Note 7 – Transfers and Advances – General Fund

Income tax revenues are booked to the General Fund and transferred to the Recreation and General Bond Retirement funds based upon percentages set by Council ordinance. The City expects to transfer \$560,000 of income tax revenues each year during the forecast period.

During 2010, the City's trash property tax levy was defeated by the voters. The City transferred \$58,000 to cover the operations of the Trash Fund. The trash property tax levy was passed by the voters in 2011 and therefore, no transfers are expected during the forecast period.

During 2011, the General Fund advanced \$175,000 to the Water Revenue Fund to cover an operating deficit. The City raised the water rates during 2012 to cover all operating costs of providing water to residents and commercial users. The advance is expected to be repaid to the General Fund in 2012.

Note 8 - Other Funds

The City has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 9 - Contingencies

A. Litigation

The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.

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Dave Yost • Auditor of State

CITY OF GIRARD

TRUMBULL 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
JUNE 7, 2012**