



**JIM PETRO**  
**AUDITOR OF STATE**

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STATE OF OHIO

**City of Girard, Ohio**  
**Trumbull County**

**Fiscal Emergency Analysis**  
**As of December 31, 2000 and July 31, 2001**

Local Government Services Division  
Auditor of State's Office



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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## CERTIFICATION

The Auditor of State performed a fiscal emergency analysis of the City of Girard pursuant to Section 118.03, Revised Code. This analysis indicates and it is hereby declared that a fiscal emergency exists at the City of Girard as defined in Section 118.03 of the Ohio Revised Code.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Samuel J. Zirafi, City Auditor; James J. Melfi, Mayor of the City of Girard; Leo Grimes, President of Council; Joseph T. Deters, Treasurer of State; J. Kenneth Blackwell, Secretary of State; Bob Taft, Governor; Thomas W. Johnson, Director of the Office of Budget and Management and David A. Hines, Secretary of the Trumbull County Budget Commission.

JIM PETRO  
Auditor of State

August 8, 2001

# City of Girard, Trumbull County

## Fiscal Emergency Analysis

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### Determination of Fiscal Emergency Condition

As provided by Section 118.04(A) of the Ohio Revised Code, the Auditor of State, as requested by the Mayor of the City of Girard (the City) on April 3, 2001, performed a fiscal emergency analysis of the City of Girard, Trumbull County.

For a fiscal emergency to be declared, any one of six conditions must exist. This report sets forth an analysis of fiscal emergency as of December 31, 2000 and July 31, 2001, the date of our determination. The date of determination was extended from April 30, 2001, the original date of determination, to July 31, 2001 because of the City's anticipated lack of resources to meet its debt payments on July 1, 2001.

The guidelines for performing such an analysis are set forth in Section 118.03 of the Ohio Revised Code. The specific procedures performed for each of the fiscal emergency conditions identified in Section 118.03 of the Ohio Revised Code are presented below.

### Condition 1 - Default on Any Debt Obligation

Section 118.03 (A)(1), 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.”

We reviewed the outstanding indebtedness of the City as of July 31, 2001, which consisted of the following:

<u>Debt Issue</u>	<u>Payment Date</u>	<u>Amount Due</u>	<u>Payments 30 Days Past Due at July 31, 2001</u>
Ohio Water Development Loans:			
1998 Water Distribution 6.36%	January 1, 2001	\$19,794	\$0
	July 1, 2001	19,794	0
1996 Lakes Projects 6.87%	January 1, 2001	117,439	0
	July 1, 2001	117,439	117,439
1997 Liberty Water 6.36%	January 1, 2001	2,116	0
	July 1, 2001	2,116	0
1988 Sewer Plant 8.48%	January 1, 2001	225,125	0
	July 1, 2001	225,125	225,125
Notes Payable:			
Justice Center 5.41%	Monthly	28,115	0
Street Widening 5.75%	Monthly	15,797	0
Capital Improvement 5.34%	July 7, 2001	11,269	0
Ohio Public Works Commission 0%	January 1, 2001	4,297	0
	July 1, 2001	4,297	0
Total Debt Payments 30 Days Past Due			<u><u>\$342,564</u></u>

# City of Girard, Trumbull County

## Fiscal Emergency Analysis

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We reviewed the accounting records, bank statements and wire transfer documents to determine if there was any indication that the City was in default on any debt obligations.

### *Conclusion*

A fiscal emergency condition does exist under Section 118.03(A)(1) of the Ohio Revised Code as of July 31, 2001. The City has not made its semi-annual payments on two Ohio Water Development Loans in the amount of \$117,439 for the 1996 Lakes Projects loan and \$225,125 for the 1988 Sewer Plant loan.

### **Condition 2 - Payment of All Payroll**

Section 118.03(A)(2), 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, county, or township in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than 30 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. The failure of one county office, board, or commission to meet payroll does not in itself constitute a fiscal emergency.”

We reviewed the payroll records of the City as of July 31, 2001. We reviewed the Council minutes, ordinances, resolutions and other personnel records to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll exist. We also reviewed payroll reports and interviewed various employees to see if payroll checks were issued on the pay date. This procedure was performed to ascertain whether City employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Ohio Revised Code.

### *Conclusion*

A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Ohio Revised Code as of July 31, 2001. All employees have been paid in amounts and at the times required by City Ordinance.

# City of Girard, Trumbull County

## Fiscal Emergency Analysis

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### **Condition 3 - Increase in Minimum Levy**

Section 118.03(A)(3), 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, county, or township for the current or next fiscal year which results in a reduction on 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 Ohio Revised Code, in the minimum levy of the City of Girard for the current or next fiscal year 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 to increase the inside millage of the City of Girard for the current or next fiscal year.

### ***Conclusion***

A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Ohio Revised Code. The Trumbull County Budget Commission has not taken any action to increase the inside millage of the City of Girard reducing another subdivision's millage.

For Conditions 4, 5, and 6, the determination of whether a fiscal emergency condition exists is based on an analysis as of the prior fiscal year end and as of July 31, 2001, the date of our determination.

### **Condition 4 - 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 had either 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 benefit 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, county, or township 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, exceeded 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, 2000, that were due and payable from the general fund, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2000, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities,

# City of Girard, Trumbull County

## Fiscal Emergency Analysis

including any interest and penalties. From this amount we subtracted the year-end fund balance available in the general fund to determine if the accounts payable in excess of the available fund balance exceeded one-sixth of the general fund budget for that year.

### Schedule I

Accounts Payable from the General Fund Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2000

	Payables Over 30 Days Past Due	Less Fund Balance Available	Payables In Excess of Balance Available	Less 1/6th of the General Fund Budget	Accounts Payable Surplus
General Fund	\$3,723	\$0	\$3,723	\$659,322	\$655,599

From the invoices provided to us, a schedule of accounts payable was prepared (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, 2000. 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 2000, excluding non-recurring receipts, of the general fund and of all special funds from which such accounts are lawfully payable.

### Schedule II

Accounts Payable from All Funds Over 30 Days Past Due  
Ohio Revised Code Section 118.03(A)(4)  
As of December 31, 2000

	Payables Over 30 Days Past Due	Less Fund Balance Available	Payables In Excess of Balance Available	Less 1/6th of the Available Revenues	Accounts Payable Surplus
General Fund	\$3,723	\$0	\$3,723	\$656,154	\$652,431
Capital Improvement Street Utilities	320	778,275	0	522,045	0
Total Amount of Surplus					\$652,431

### **Conclusion**

Schedules I and II indicate that as of December 31, 2000, a fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code. The general fund and capital improvement street utilities fund accounts payable which were at least thirty days past-due at the end of the year, less the year-end balance in the general fund and capital improvement street utilities fund did not exceed one-sixth of the general fund and capital improvement street utilities fund available revenues as of December 31, 2000. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist at year-end.

# City of Girard, Trumbull County

## Fiscal Emergency Analysis

### Condition 5 - 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 deficits, 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 as of December 31, 2000, by subtracting all accounts payable and encumbrances for the year-end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the general fund budget and the receipts of those deficit funds. After computing the unprovided portion of the aggregate deficit, we subtracted funds that may be transferred, as provided in Section 5705.14 of the Revised Code, to meet such deficits.

Schedule III

Deficit Fund Balances  
Ohio Revised Code Section 118.03 (A)(5)  
As of December 31, 2000

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds With Deficit Balances	Less 1/6th of General Fund Budget/ Revenues Lawfully Available	Unprovided Portion of Aggregate Surplus/ (Deficit)
General Fund	(\$796,448)	\$19,823	(\$816,271)	\$659,332	(\$156,939)
Recreation	(26,010)	735	(26,745)	43,049	0
COPS	(236,500)	0	(236,500)	0	(236,500)
Sewer Rental	(252,877)	8,955	(261,832)	252,961	(8,871)
Agency Reimbursement	(36,377)	1,612	(37,989)	143,863	0
Capital Improvement Reimbursement	(124,582)	0	(124,582)	682,622	0
Subtotal	<u>(\$1,472,794)</u>	<u>\$31,125</u>	<u>(\$1,503,919)</u>	<u>\$1,781,827</u>	(402,310)
Funds Available for Transfer:					
Fire Pension					5,900
Police Pension					5,900
Total Unprovided Portion of Aggregate Deficit Funds					<u>(\$390,510)</u>

### Conclusion

Schedule III indicates that a fiscal emergency condition does exist under Section 118.03(A)(5) of the Ohio Revised Code as of December 31, 2000. The total unprovided portion of aggregate deficit funds as of December 31, 2000 was \$390,510. An analysis as of the date of determination was not completed because financial data, by fund, was not yet available.

# City of Girard, Trumbull County

## Fiscal Emergency Analysis

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### Condition 6 - Treasury Deficiency

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, county, or township, 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.”

Section 118.03(B) of the Ohio Revised Code, provides in part:

Any year-end condition described in division (A)(6) of Section 118.03 of the Ohio Revised Code shall not constitute a fiscal emergency condition of the municipal corporation, county, or township clearly demonstrates to the Auditor of State prior to the time of the Auditor of State’s determination that such condition no longer exists at the time of the determination pursuant to Section 118.04 of the Revised Code. For the purpose of such demonstration, there shall be taken into account all positive balances as at the time of such demonstration, rather than at the end of the fiscal year, and there shall be taken into account the moneys and marketable securities in the treasury of the municipal corporation, county, township at the time of such demonstration that are in case of division (A)(6) of this section, held to meet such positive balances.

We verified the City's reconciled bank balances to its fund cash balances as of December 31, 2000. From the treasury balance we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. We then subtracted from the treasury deficit one-sixth of the amount received into the treasury during 2000 to determine if a treasury deficiency exists.

Schedule IV	
Treasury Balances	
Ohio Revised Code Section 118.03(A)(6)	
As of December 31, 2000	
	Amounts
	<u>December 31, 2000</u>
Bank Cash Balances:	
General Accounts	\$825,721
Cemetery Accounts	5,475
Lakes Account	580,407
C. H. I. S. Account	30,264
Escrow Account	10,460
Repurchase Agreement	647,432
Saving Accounts	11,506
Certificate of Deposits	<u>25,178</u>
Total Bank Cash	<u>2,136,443</u>

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# City of Girard, Trumbull County

## Fiscal Emergency Analysis

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Schedule IV

Treasury Balances  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2000

	Amounts December 31, 2000
Less: Adjustments	
Outstanding Checks	(\$446,557)
Restricted Federal Fund	(580,407)
Miscellaneous Adjustments	3,334
Total Adjustments	(1,023,630)
Total Treasury Balance	1,112,813
Less: Positive Fund Balances	
Municipal Court Special Projects	163,476
Street Construction	145,672
State Highway	50,773
Street Permissive	83,344
Garbage	21,171
Special Restaurant	34,499
Weed Cutting	3,552
Condemned Homes	7,288
Elderly Bus Fare	41,490
Law Enforcement Trust	2,823
Home Health Nursing	89
Recreation Foundation	250
Trash Haulers	17,446
Community Block Grant	80,120
CHIP/CHIS	30,264
Swimming Pool	8,723
Water Revenue	187,395
Water Deposits	105,350
Sewer Equipment Replacement	43,920
Cemetery	10,721
Perpetual Care Principal	36,771
Cemetery T. C. Tomko	989
Cemetery T. C. King Sek	3,668
Cemetery T. C. Mausoleum	818
Fire Pension	6,455
Police Pension	6,566
Municipal Probation	213,844
Unclaimed Monies	10,169
State Highway Patrol	17,936
Capital Improvement	102,443
Capital Improvement Safety	114,949
Capital Improvement Street Utilities	778,275
Trailer Park	2,092

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# City of Girard, Trumbull County

## Fiscal Watch and Emergency Analysis

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Schedule IV

Treasury Balances  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2000

	Amounts December 31, 2000
Municipal Court Computer	\$195,708
Indigent Drivers Alcohol Enforcement and Education	56,468
	25
Total Positive Fund Balances	<u>2,585,542</u>
Treasury Balances Less Positive Fund Balances	(1,472,729)
1/6th Treasury Receipts	<u>3,294,363</u>
Treasury Surplus	<u><u>\$1,821,634</u></u>

### ***Conclusion***

Schedule IV indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2000. The treasury balance less the positive fund balances did exceed one-sixth of the treasury receipts as of December 31, 2000. An analysis as of the date of determination was not completed because a fiscal emergency condition did not exist at year-end.

### **Summary**

A fiscal emergency is the existence of at least one of the above defined conditions. This analysis indicates that a fiscal emergency does exist at the City of Girard as defined in Sections 118.03(A)(2) and 118.03(A)(5) of the Ohio Revised Code and presented under Conditions 1 and 5.

Because the above 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 to you.