



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

City of Girard
Trumbull County

Report on Accounting Methods

**City of Girard, Trumbull County
Report on Accounting Methods**

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CERTIFICATION

In compliance with the requirement set forth in Section 118.10 (A) of the Ohio Revised Code, an assessment of the methods, accuracy, legality of the accounts, records, files, and reports of the City of Girard was conducted. This report on accounting methods states whether the accounting system currently in place fulfills the needs of the City and whether there are adequate controls in place to assure confidence in the records. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Joe Gray, Chairman, Financial Planning and Supervision Commission; James J. Melfi, Mayor of the City of Girard; and Leo Grimes, President of Council.

JIM PETRO
Auditor of State

October 26, 2001

City of Girard - Trumbull County

Report on Accounting Methods

Purpose

As required by Section 118.10 (A), Revised Code, the Auditor of State "...Shall issue a preliminary report with respect to the method, accuracy and legality of the accounts, records, files and reports of the municipality. Such report shall state whether Chapter 117 of the Revised Code, the requirements of the office of the Auditor of State have been complied with..."

Accordingly, this report centers upon the following: (1) whether the current accounting system fulfills the needs of the City, and (2) whether the current accounting system is in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing City personnel and reviewing pertinent accounting, financial, and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the City of Girard. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

City of Girard - Trumbull County

Report on Accounting Methods

The City and Form of Government

The City of Girard (the City) is in northeast Ohio in southern Trumbull County. The City is a home rule municipal corporation governed by Article XVIII of the Ohio Constitution and by Title 7 of the Ohio Revised Code. Operating as a statutory city, Girard must comply with all State laws governing City government. The decision making process is directed by an elected City Council (Council) and Mayor.

The Council is the legislative authority of the City and consists of an elected President of Council and seven elected members. Four members are elected to serve specific wards and serve terms of two years, and three are elected at large and serve terms of four years. Council appoints a Clerk of Council who attends all Council meetings and keeps a record of all proceedings, rules, bylaws and legislation. The Council has the authority to prescribe by ordinance the manner in which any power of the City shall be exercised.

The Mayor is the chief executive officer of the City and serves a term of four years. The Mayor supervises the administration of the City, has the right to make recommendations to Council, and has the power to appoint various City officials.

The Auditor serves as the chief fiscal officer of the City, and serves a four-year term. The Auditor is required to keep the books of the City and exhibit accurate statements of all money received and expended, of all property owned by the City and the income derived therefrom, and of all taxes and assessments. The Auditor shall audit the accounts of the several departments and officers and all other accounts in which the municipal corporation is interested at the end of each fiscal year, more often if required by the legislative authority. The Auditor may prescribe the form of reports, the method of keeping accounts by all other departments, and shall require daily reports, showing all money received and the disposition thereof by each department to be rendered to the City Auditor's Office. The City Auditor is responsible for establishment of the accounting procedures necessary to comply with the administrative rules adopted by the Auditor of State.

The Treasurer is the chief custodian of all monies of the City and is elected to a four-year term. The Treasurer is required to keep the moneys of the municipal corporation in such a manner and in such place as is determined by the legislative authority, and shall pay out money only on warrants issued by the Auditor.

The Law Director is the City's chief legal officer, elected to a four-year term.

The City operates a Municipal Court presided over by a Judge, elected to a six-year term.

City of Girard - Trumbull County

Report on Accounting Methods

Budgetary System

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and the type of financial resources that shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted for all funds and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities, and major objects of expenditures. The process should encompass current operations and maintenance for the various City departments, programs offered to its residents, capital acquisition and replacement, and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

Statutory Requirements - The budgetary process for the City is prescribed in Chapter 5705, Revised Code, and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance.

The Tax Budget: The Mayor prepares an annual tax budget for the period of January 1 to December 31 of the following year of the estimated revenues and expenditures for all funds of the City. The budget must be filed in the City Auditor's office for public inspection ten days before adoption by City Council. At least one public hearing must be held for discussion of the budget. City Council is required to adopt the budget not later than July 15 and the budget must be submitted to the Trumbull County Budget Commission by July 20 of each year.

The Budget Commission examines the budget to ascertain that all tax levies of the City are properly authorized. The Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. On or about October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

Certificate of Estimated Resources: The Budget Commission issues an official certificate of estimated resources on or about September 1, based upon information provided in the tax budget and other information available to the Budget Commission.

On or about January 1, the City Auditor certifies the actual year end balances for all City funds to the Budget Commission. Upon receipt of the information, the Budget Commission issues an amended official certificate of estimated resources that includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the City Auditor determines that the revenue to be collected by the City will be greater than or less than the amount included in the official certificate.

City of Girard - Trumbull County

Report on Accounting Methods

Budgetary System

(Continued)

Appropriation Ordinance: On or about January 1, the annual appropriation ordinance must be enacted by City Council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the City until April 1. The appropriation ordinance, by fund must be within the estimated resources as certified by the county budget commission. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. Any revisions that alter the total of any fund appropriations or alter the levels adopted by council, must be approved by council. The City may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

Encumbrances: As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

Administrative Code Requirements All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designating an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in section 5705.38 of the Revised Code. The legal level of control is a discretionary decision to be made by the legislative authority, unless otherwise prescribed by statute.

Methods Used by the City

The tax budget is prepared by the City Auditor. The tax budget is based on prior year receipts and expenditures and estimates based on current information. The tax budget is reviewed by City Council prior to Council's adoption. Notice of a public hearing on the tax budget is published by the City Auditor and is held by City Council prior to its adoption. The tax budget for the next year is generally adopted by Council on, or before July 15.

Council adopts a resolution to authorize the necessary tax levies and certify them to the county auditor on, or before October 1.

City of Girard - Trumbull County

Report on Accounting Methods

Budgetary System

(Continued)

The City submits a certificate of year end balances to the county budget commission on, or about January 1 to obtain an amended official certificate of estimated resources.

A temporary appropriation ordinance is adopted by Council before January 1 of each year. The annual appropriation ordinance is passed by Council before, March 31. Council establishes the legal level of control at the program, departmental, and object level within each fund in the annual appropriation ordinance. Management has no discretion to allocate appropriations.

Auditor of State Comments

Tax Budget:

- The department heads are not involved with the development of the tax budget.
- The Mayor does not prepare the proposed tax budget in conjunction with the City Auditor and submit the proposal to Council in advance so that Council has the opportunity to make inquiries and changes in advance of the public hearing.
- The file copy of the tax budget for calendar year 2002 was not signed and dated by the appropriate City Officials.
- The tax budget did not include all funds of the City, a statement of permanent improvements, or the information required for the debt issues.
- The City does not have a long-term plan or budget for its primary operating funds.
- The City does not have a long-term capital budget identifying anticipated projects and the means of financing them.

Appropriations:

- 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.
- The appropriation ordinance does not include all funds that are required to be budgeted.
- The City does not amend its appropriation ordinance throughout the year.

City of Girard - Trumbull County

Report on Accounting Methods

Budgetary System

(Continued)

- Appropriations are not limited to the amounts reflected on the certificate of estimated resources.
- The City allows expenditures to exceed the appropriated amounts authorized by council.

Certificate of Year End Balances:

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

Amended Official Certificate of Estimated Resources:

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

City of Girard - Trumbull County

Report on Accounting Methods

Chart of Fund and Account Codes

Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund and account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and the individual funds. Receipt and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program and activity codes.

Statutory Requirements - The creation of funds is authorized by Section 5705.09, Revised Code. Section 5705.13, Revised Code, allows for the creation of reserve funds for budget stabilization, self-insurance reserves, retrospective workers' compensation reserves, accumulated sick and vacation leave reserves, and a reserve for the acquisition, construction, or improvement of fixed assets. Additional funds may be established under Section 5705.12, Revised Code, with the written approval of the Auditor of State.

Methods Used by the City

The City establishes funds required by the Ohio Revised Code and other special funds through Council ordinances. The City assigns each fund a number that reflects its fund type classification and uses account codes that classify and summarize receipt and disbursement transactions according to management needs and annual reporting purposes.

Auditor of State Comments

- 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.
- The City's funds are not numbered consistently in a manner that allows for classification by fund type.
- 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.
- A manual that documents the account code structure should be maintained and made available to all City departments.
- The City Auditor does not assign or monitor the assignment of account codes.

City of Girard - Trumbull County

Report on Accounting Methods

Accounting Ledgers

Description of Effective Accounting Ledgers

The accounting ledgers of the City should allow for ongoing and timely information on estimated and actual revenues, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be trailed throughout the ledgers and back to the document that originated the transaction.

Administrative Code Requirements - Ohio Administrative Code Section 117-2-02(A) requires that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-2-02(D) of the Ohio Administrative Code states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

Cash Journal - The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the City Auditor's office. The cash journal presents receipts deposited to and warrants drawn against the City treasury and the fund to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in-orders and warrants. The related pay-in-order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are recorded.

Receipt Ledger - The receipt ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance are presented for each source of revenue. Estimated revenues are recorded from the detail used in the preparation of the tax budget and are adjusted for any amendments to the certificate of estimated resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

City of Girard - Trumbull County

Report on Accounting Methods

Accounting Ledgers

(Continued)

Appropriation Ledger - The appropriation ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the City, the warrant/check issued for the payment of the obligation, and any necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the City to keep its disbursements and encumbrances within the amounts appropriated by Council. The unencumbered appropriation balance provides information on the amount available for obligation. At the end of each month, month-to-date totals and year-to-date totals are recorded.

Methods Used by the City

The City uses a fund accounting software package to maintain its accounting records. The software incorporates estimated revenues and appropriations by fund and account. Receipts are only posted to the accounting records at the end of the month. All other transactions are entered into the system as part of the daily accounting activities and posted as part of the daily processes.

Various accounting reports are printed daily and utilized by the clerical staff. Monthly reports are printed within a few days after the end of the month and upon completing the month-end closing procedures. Monthly reports are distributed to the Auditor, Mayor, and Treasurer.

The software program allows for the accumulation and aggregation of budget and actual information. Detailed receipts, expenditures, and encumbrances information are accumulated by fund, major revenue sources, and expenditure program, department, and object codes. The software provides month and year-to-date information and detailed and summary information for receipts and disbursements/expenditures

The City prepares daily backup tapes and stores them on site in a fireproof safe.

Auditor of State Comments

- The City posts all receipt transactions at the end of each month.
- Monthly closing procedures should be completed on the last day of each month and the monthly reports generated and distributed the next business day.
- The original and revised budget data should be displayed with actual data in the revenue and expenditure reports.
- The City does not have written month-end closing procedures to include a list of reports to be printed and their distribution.

City of Girard - Trumbull County

Report on Accounting Methods

Accounting Ledgers

(Continued)

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

City of Girard - Trumbull County

Report on Accounting Methods

Receipt Transactions

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and consecutive. The receipt should bear the name of the entity and reflect the date received, the payee, amount, the purpose or nature of the receipt, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payee. All receipts or pay-in-orders should be recorded in the cash journal and receipt ledger in a timely manner.

Statutory Requirements - Section 9.38, Revised Code, provides that a person who is a public official, employee, or an agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

City Processing of Receipt Transactions

City Auditor's Office

The Auditor's office receives collections for various City departments, the state and county auditors, vendors, and other sources. A pay-in-order and deposit slip are prepared for each item received. Receipts and supporting documents are kept together until the pay-in is printed. Pay-in numbers are written on deposit slips and supporting documents. The supporting documents are filed according to the source. Deposit slips are attached to the yellow copy of pay-in and sent to Treasurer's office. Receipts are kept separate by department and deposited at the end of the business day.

The water and income tax departments collect and deposit their own revenues. Upon making the deposit, the departments provide the Auditor's office with a deposit slip from the bank. The water department provides a pay-in report at the end of each month that identifies the distributions of the water and sewer collections. The deposit slips for the month are attached to the monthly pay-in report.

City of Girard - Trumbull County

Report on Accounting Methods

Receipt Transactions

(Continued)

The income tax collections are deposited daily by the income tax department. A record of the daily deposits is maintained in the Auditor's Office from the deposit slips received from the income tax department. This record is used to prepare a pay-in for the total collections for the month and posting. The income tax revenue is transferred to the various funds in accordance with City Ordinance as part of the month-end processing.

Upon passing of the annual income tax allocation ordinance each year, the income tax money is transferred to the various funds according to the new percentages, net of the amount budgeted for operations in the income tax fund. The total amount of collections and the transfers are verified each month and a report is signed by the Treasurer.

The Municipal Court provides the Auditor's office with a distribution list for the revenue collected from the Criminal and Civil divisions on a monthly basis.

The Auditor's office enters the receipts and posts all revenues at the end of the month. A pay-in edit report is generated by department and is verified against the deposits made for that month. The totals are then entered as part of a batch and posted to the appropriate accounts. Reports are generated for the Municipal Court, cemetery, health, lakes, mayor, police, service director, street, water and sewer, and zoning departments if money is deposited during the month.

The individual pay-in sheets/forms are to be signed by the Auditor and Treasurer each month. The pay-in is separated into three parts; a copy of the pay-in is kept in the Auditor's office; a copy with the deposit slip(s) is given to the Treasurer's office; and a copy is provided to the department, if applicable. A binder is kept of all monthly reports of revenues in the Auditor's office.

The Auditor and Treasurer are bonded. The City has insurance coverage for other City employees who routinely receive, process, and deposit cash, checks, and cash items.

Income Tax Department:

Income tax payments and remittance forms are received from taxpayers who pay in person and via the mail. A receipt is prepared for all payments. Payments and filing information from the remittance forms are posted daily to the appropriate accounts. A calculator tape is prepared for all cash and checks. Account numbers are written on the calculator tape next to the payment amount. An edit journal is printed and verified to the calculator tape. Transactions are posted when all entries are correct. Final daily reports are printed and the daily cash file is reset.

City of Girard - Trumbull County

Report on Accounting Methods

Receipt Transactions

(Continued)

The daily cash report provides a total of the amounts collected by account and the total deposit for the day. The amounts on the cash report are verified to the deposit slip and the deposit slip, cash, and checks are placed into a locked deposit bag. The police department generally accompanies an income tax clerk to the bank, where the clerk unlocks the bag and makes the deposit. Deposits are made twice a day. The morning deposit includes payments received and posted from the prior afternoon and the afternoon deposit includes payments received and posted that morning. The validated deposit slips are given to the Auditor's Office.

Delinquent taxpayers receive a statement monthly reflecting the balance of tax due, interest, and penalty for each tax year. Monthly payment plans may be established for delinquent tax payers.

The annual income tax forms are mailed in the third week of December each year to individuals and businesses. The filing deadline is April 15. A declaration of estimated taxes for the following year is included as part of the annual return. Estimated tax payments are due quarterly and statements are sent out April 1, June 1, September 1, and December 1. Employers are required to remit withholdings quarterly. The quarterly withholding statements are mailed to employers during the last week of December, March, June, and September.

New tax filers and non-filers are identified by a review of new utility accounts, Ohio Department of Taxation data, data from the Girard City Schools, a listing of tenants provided by landlords in March each year, and a manual review of existing accounts. The computer system will generate a letter each month for four months to non-filers. If no response is received after the four months, a final notice is sent out by the City Prosecutor. If no response is received after thirty days, a summons is prepared for a court appearance. Various court actions are used for non-filers and non-payers to force filing and the collection of income taxes due the City.

Utilities (Water and Sewer) Department:

Water meters are manually read during the first twenty days of the month. Reading information is recorded on the meter cards in meter books by the meter readers. Data from the books are checked by office clerks and entered into the computer system by account. A "Trial Billing" report is run after all readings are entered and reviewed to ensure accounts are billed correctly. Approximately 15 percent of meter readings are estimated each month. The meter books are updated daily for new accounts, service turn-ons, and service-turn offs. Utility bills are printed on postcard size bills and mailed.

The computer system maintains customer account information with some permanent information maintained in the meter books. A customer history report is printed monthly that contains the account numbers, names, addresses and the amounts billed and paid.

City of Girard - Trumbull County

Report on Accounting Methods

Receipt Transactions

(Continued)

Utility payments are due the fifteenth of each month with a ten percent late fee assessed on payments made after that day. Payments are received through the mail and at the utility window. The billing stubs are stamped paid and the amount paid, if different from the amount billed, is noted.

Checks received through the mail are recorded and prepared for deposit the following morning. At the end of each shift, the cashier prepares a deposit slip. The billing stubs are counted and two calculator tapes are run on the checks. One tape goes with the deposit slip and one is retained in the utility office. A daily report of collections is run and balanced to the deposit slips. The utility system batch numbers are recorded on the deposit slips for reconciling and research purposes.

Deposits are taken to the bank each morning by the police department. A validated deposit slip is obtained and given to the Auditor's office. The Auditor's office issues a pay-in for the total of the deposits for the month.

Reminder and delinquent notices are mailed to the customer and to the landlord of rental properties after the fifteenth of each month. The due date for delinquent payments is prior to the end of the first week of the following month. Delinquent accounts which have not been paid by that time are put on a shut-off list. The minimum payment needed to avoid shut-off is the current amount billed plus ten percent of the delinquent balance. Shut-offs generally begin the third week of the month. Accounts that have been turned off are required to make full payment in cash plus a twenty-five dollar reconnect fee in order to resume service.

Delinquent active accounts from the turn off list that cannot be turned off due to either a shared curb box or a line that cannot be physically turned off are sent a thirty-day letter requesting payment. Accounts that have not been paid are turned over to an attorney for collection. A collection agency is used to collect accounts of individuals who have moved out of the City.

A deposit of \$50 is required by homeowners which is refundable in one year upon request as long as the account is paid in full. Tenants are checked to determine if any balance is owed from a previous address which must be paid prior to turning on the service. Tenants are required to pay a \$100 deposit which is deducted from their final bill.

Water and sewer rates have been periodically changed over the last ten years. Water rates were increased effective July 1, 1991, July 1, 1994, November 1, 1994, and September 1, 1999. Sewer rates were increased effective July 1, 1992, May 1, 1996, and March 1, 1997. Water rates are set by the Director of Public Service according to Section 743.03 of the Ohio Revised Code. Sewer rates are established by City Council Ordinance.

A "Rules and Regulations" booklet of the water department was published in June 1948. Changes in policies and procedures for utility billing have been established over the years through various typed and handwritten documents, memorandums, and letters.

City of Girard - Trumbull County

Report on Accounting Methods

Receipt Transactions

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Municipal Court:

The Girard Municipal Court serves the cities of Girard and Hubbard as well as Hubbard, Liberty, and Vienna Townships. All cases filed with the Clerk of Courts' office are date-stamped and, if known, the fees, fines, costs, bonds, or the required deposit and the nature of the case are entered into the computer system. The fees, fines, and costs for cases requiring a court appearance are entered after the journal entry is signed by all necessary parties.

The Court accepts only cash, money orders or cashier's checks. No personal checks are accepted; however, an ATM machine is available in the lobby for the convenience of the public. Payments are received by mail or in person and are posted by case. A receipt is generated for each payment received. Each deputy clerk is responsible for tallying his/her daily collections and reconciling to a daily cashbook report showing a breakdown of receipts. The collections and daily cashbook report are turned over to the Clerk of Courts who verifies the collections with the daily cashbook report. At the end of each day the Clerk of Courts adds all the cash, checks, and money orders and prepares a deposit slip for each bank account. The amount deposited to each account is based on the cashbook report which identifies the collections by division of the court. The deposit is locked in the safe overnight and deposited the next day by the Bailiff.

The Court will accept partial or full payment of the fines and costs for a case. A receipt is generated for the amount of the payment and posted to the docket and cashbook. Partial payments are applied as follows: restitution, probation fee, fine, and then costs. Bonds are applied to the fees, fines, and costs of the case. Any excess is refunded to the party posting the bond or is transferred to another outstanding case.

All deputy clerks are bonded.

Municipal Court Delinquencies:

One month from the court date on the traffic citation, a Notice of Forfeiture is sent to the defendant. This notice gives them one month to pay their fines and costs, which includes an additional forfeiture processing fee, before it is sent to the Ohio Bureau of Motor Vehicles (BMV). If they do not respond to this notice within the required time restriction, an additional fee is added which is required by the BMV.

In a criminal case, the final disposition determines the payment schedule. If a defendant isn't current with the ordered payments, a Failure to Pay Notice is sent ordering them to address this situation within two weeks. After one month, if the defendant fails to respond, a Warrant Block is issued through the BMV.

The defendant does receive notification of this Warrant Block from the court.

City of Girard - Trumbull County

Report on Accounting Methods

Receipt Transactions

(Continued)

Municipal Court - Parking Tickets:

Outstanding parking tickets are maintained in a numerical file. As individuals come into pay parking tickets, the court copy is manually pulled, the money is collected and a receipt is given. The receipt is recorded as a miscellaneous cost and included in the monthly reports.

The Municipal Court prepares a monthly report to the City, indicating the sources and amounts of fees, fines, and costs collected during the month, along with a check for the total, dated the last day of the month.

Auditor of State Comments

- The City does not prepare pay-ins and post receipts on a daily basis.
- 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.
- The Municipal Court does not have procedures to monitor, track, and collect fines due on outstanding parking tickets.

City of Girard - Trumbull County

Report on Accounting Methods

Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchasing process should be integrated with the budget. The process should include an authorization of need and selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the fiscal officer's certification of the availability of funds and that the amount has been appropriated and is free from previously encumbered obligations. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Statutory Requirements - Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Additionally, the subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose over a three-month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies.

"Super" Blanket Certification of the Availability of Funds: The super blanket certification permits the fiscal officer to certify amounts greater than \$5,000. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained by the fiscal officer. Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney, physician, professional engineer, construction project manager, consultant, surveyor, or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

City of Girard - Trumbull County

Report on Accounting Methods

Purchasing Process

(Continued)

Then and Now Certification - It is intended that the fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such a contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. The City Council has thirty days from receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the City. The City Auditor may approve amounts less than \$1,000 without Council approval

Authority to Contract - Contracts are made by the City Council and executed in the name of the City by the Mayor and City Auditor, except as otherwise specified by statute.

Bidding - All contracts calling for expenditures in excess of \$15,000 shall be in writing and made to the lowest and best bidder. Council must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Personnel services of a specialized nature;
2. Goods and services when only one source is available;
3. Work to be done or for the purchase of supplies and materials in any department of the City if a real and present emergency exists;
4. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
5. Purchases from other political subdivisions and agencies; and,
6. Goods purchased under the State Cooperative Purchasing Program.

Board of Control - A Board of Control is to be composed of the Mayor (as president), the City Auditor, and the Safety/Service Director. The Board of Control shall:

1. Have stated meetings at least twice a week;
2. Keep a record of its proceedings;
3. Take its votes by yeas and nays, which votes shall be entered on the record; and,
4. Adopt any motion or order only by a majority vote of all the members of the board.

The Board of Control approves all contracts in the department of public safety and service in excess of \$5,000. No ordinance or resolution involving any expenditure of money for public improvements shall be passed by the city council until it has been approved by the Board of Control, except by a two-thirds vote of the city council.

City of Girard - Trumbull County

Report on Accounting Methods

Purchasing Process

(Continued)

Administrative Code Requirements - Section 117-2-02(C)(2) of the Ohio Administrative Code states, "purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made."

Methods Used by the City

A purchase requisition is prepared for all purchases and approved by the appropriate official or department head. The requisition includes all pertinent information, including the vendor name and code, fund and account code, the merchandise/service to be purchased, and the estimated cost or exact price, if available. Upon approval, the requisition is sent to the Auditor's office for the preparation and assignment of a purchase order number.

The Auditor's office prepares a purchase order based on the information on the requisition form. Purchase orders are computer generated and a manual log of the purchase orders is maintained in numerical order. If an account is negative, the system provides a warning. Purchase orders are processed in a batch, encumbered, and printed approximately once a week. The purchase order is signed by the on-line signer attached to the printer. The original copy of the purchase order is used in the processing of the invoices. The yellow copy is sent to the department and the pink copy is kept in numerical order in the auditor's office.

The City provides new vendors with the City's tax exempt number, billing address, and contact information. The vendor is required to provide remittance information and the completion of an IRS Form, W-9. The information is entered into a vendor file including whether an IRS Form 1099 is to be issued. New vendors are also made aware of the City's purchasing procedures. Vendor file maintenance is preformed by an Auditor Clerk II.

The City's Board of Control approves all contracts in the departments of public safety and service in excess of \$5,000. Minutes for the meetings are maintained in the Auditor's office. Contracts in excess of \$15,000 are authorized by City Council.

The City follows statutory procedures for bidding. City Council, by ordinance, authorizes specific individuals to advertise for bids. The Auditor, Service/Safety Director, the appropriate department official, and interested parties such as vendors generally attend bid openings. City Council awards a contract based on the bids. The ordinance cites the reasons for accepting the bid and authorizes specific individuals to enter into or execute various contracts for the purpose of the bid.

City of Girard - Trumbull County

Report on Accounting Methods

Purchasing Process

(Continued)

Auditor of State Comments

- Purchase orders are prepared without detailed item descriptions, quantities, unit prices, and extended amounts.
- Purchase orders that exceed the line-item appropriation are processed by verbal management instruction and based on past practice.
- The original of the purchase order is not sent to the vendor.
- Blanket and super blanket purchase orders are not within statutory requirements.
- The City does not use "Then and Now" certifications when warranted.
- The City does not maintain minutes of its bid opening meetings.
- The City does not have a comprehensive purchasing policy and procedures manual.
- Purchase orders are not used for all expenditures.
- 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 fiscal officer's certification.

City of Girard - Trumbull County

Report on Accounting Methods

Cash Disbursements

Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the City. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and accounts codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A warrant should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the City Auditor and if there is adequate cash in the fund to pay the obligation. All warrants should be signed by the City Auditor and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

Statutory Requirements - State law places the following requirements on the disbursement of funds:

Warrants - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund which it is drawn upon.

Restrictions - Money is drawn from the City treasury only for appropriations enacted by the City Council. Appropriations from each fund may be used only for the purposes of such fund.

No Certification - If no certificate is furnished as required, upon receipt by the City of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the City may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

Administrative Code Requirements - Section 117-2-02(C)(3) of the Ohio Administrative Code states "vouchers may be used as a written order authorizing the drawing of a warrant in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information."

City of Girard - Trumbull County

Report on Accounting Methods

Cash Disbursements

(Continued)

Methods Used by the City

The processing of the invoices for payment occurs when a large quantity of invoices has accumulated or when invoices are thirty days old regardless of payment terms and discounts. Invoices are checked in total against the original purchase order. If an invoice exceeds the purchase order, the accounts payable clerk decides whether it will be processed or referred to the originator of the purchase. Invoices and/or a receiving documents initialed by an individual are generally utilized to pay an invoice.

Administration of contracts, 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, administration of ambulance collections, and trash removal are paid upon review and approval of the department head, administration, or auditor. Utilities are processed for payment once a month.

Payments are made on a two-part check which is computer generated and signed with the electronic signatures of the Auditor and Treasurer. The original check is mailed to the vendor with any remittance information. The second part of the check which serves as the voucher is kept on file with the original purchase order, the original requisition, the invoice, and any other documents significant to the transaction. The vouchers are filed in numerical order in the Auditor's office. All reports relevant to the processing of invoices are kept together in a binder for each month in the Auditor's office.

The City has virtually eliminated use of manual checks. A manual check is used only in an emergency situation and is signed by the Auditor and Treasurer at the time it is written.

Month end procedures for disbursements entail running account and bank reports. Fund transfers are made through an expenditure journal batch. Transfers requiring movement of money from one bank account to another are processed by check. The total expenditures must match the total of the checks disbursed on both funds and banks listed. All disbursement related reports are given to the Auditor for review and then kept in a binder for any further use.

Auditor of State Comments

- Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation.
- Disbursements are made for expenditures without the fiscal officer's certification.
- 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).

City of Girard - Trumbull County

Report on Accounting Methods

Cash Disbursements

(Continued)

- Invoices are processed without proper authorization and acknowledgment of receipt of the goods or services.
- Invoices are not recomputed as they are processed for payment.
- Invoices are processed for payment that exceed the purchase order without proper authorization.
- Invoices are processed after the payment terms and discount periods have expired.
- The voucher (check copy) does not contain references to the purchase order number, the fund and account code, and other required information.
- The City does not maintain a list of all personal service contracts.
- There are no written policies or procedures for the disbursement of City funds.

City of Girard - Trumbull County

Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of the payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes, should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the City should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by Federal and/or State laws.

Statutory Requirements - The following State statutes apply:

Section 705.13, Revised Code, requires the legislative authority of a municipal corporation to, by ordinance, fix the salary of its members which shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members thereof, there shall be deducted a sum equal to two percent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

Section 731.13, Revised Code, requires the legislative authority of a City to fix the compensation and bonds of all officers, clerks, and employees of the City except as otherwise provided by law. The legislative authority must, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. This section does not prohibit the payment of any increased costs of continuing to provide the identical benefits provided to an officer at the commencement of his term of office.

Methods Used by the City

All full and part-time employees are compensated on a biweekly basis. The pay period begins on Sunday and ends two weeks later on Saturday. Pay checks are distributed on the following Thursday. City Council members are paid monthly. The City has approximately 120 full-time and 50 part time employees. All employees are paid in accordance with the City's pay ordinances or bargaining contracts.

City of Girard - Trumbull County

Report on Accounting Methods

Payroll Processing

(Continued)

Personnel files are kept in the City Auditor's Office. These files contain appointment letters, wage information, voluntary deductions, tax information, beneficiary, benefit package and dependent information. The employee master files are updated for any changes every two weeks by the Auditor Clerk III.

The AFSCME and health department employees use time cards. Employees who charge time to multiple funds use a separate time card for the hours to be charged to each fund. Time sheets are prepared for each employee from the time cards and the time sheets are approved by the appropriate department head and/or appropriate City official. The time cards and sheets are turned over to the Auditor's office. The police and fire departments submit a payroll sheet for each employee prepared and approved by the chief or captain. The payroll sheets are supported by a sign-in or a log-in sheet. The civil service commission approves the departmental payroll for the police, fire, and health departments and then submits them to the Auditor's office.

Leave accrual and usage is entered on a preprinted employee calendar card from the time sheets. The same data is entered into the payroll system. Leave usage forms are only completed and signed by a supervisor when an employee takes off three or more sick days, and must be supported with a doctor's excuse, except for employees of the Municipal Court.

Payroll is prepared by the Auditor Clerk III who enters the hours worked and leave usage and accrual into a spread sheet. The hours worked, leave usage and accrual are also entered into the payroll computer program. An edit report is run and checked against the spreadsheet. The compensation is then calculated and a payroll register is run. The payroll register shows each employees total gross pay, along with all deductions, and the net to be paid. The deductions, garnishments, sick leave, holidays, and vacation time are reviewed for accuracy. The paychecks are printed and placed in sealed envelopes and divided into departments. Employees sign for their checks in the Auditors Office. The system also allows the payroll to be transferred to the budgetary system for posting to the accounts.

The City uses a payroll clearance checking account. A check is written against the general account for the gross payroll and deposited in the payroll account. Payroll withholdings and other deductions are paid from the payroll account. The City has deductions available for two credit unions, deferred compensation, bonds, additional insurance coverage, union dues, garnishments, and buyback of pension time. The only electronic fund transfers currently used by the City are for the remittance of State and Federal tax withholdings and Medicare taxes. The funds are transferred either on the scheduled pay date or the next day.

The payroll system produces reports for history on employees, pension reports, monthly recaps, quarterly, and yearly reporting including W-2's.

City of Girard - Trumbull County

Report on Accounting Methods

Payroll Processing

(Continued)

Auditor of State Comments

- 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.
- The City does not have formal leave accrual and usage policies established in writing and enforced for non-bargaining unit/non-union employees.
- 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.
- The City does not have written policies concerning the use of overtime
- The same employee who processes payroll has access to and enters the changes to the employee master file.

City of Girard - Trumbull County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. An ordinance authorizing the issuance of debt should be passed by Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the maturity, the lender, interest rate, and the source of revenue to be used for repayment.

Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing ordinance. Money to be used for debt payment may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

Statutory Requirements - General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to cities are found in Chapter 7. The statutory requirements vary depending on the nature of the debt being issued.

Methods Used by the City

The City monitors debt payments by line item in the accounting records and by appropriating by line item for specific debt repayments. The Auditor monitors debt and lease payments using a chart identifying the payee, description, fund and account number, periodic payment amounts, and other information related to each issue.

The City's outstanding long-term obligations are as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Final Maturity</u>
Justice Center Notes, 2000	5.41%	\$4,000,000	November 15, 2019
Street Widening Notes, 2000	5.75	2,250,000	December 5, 2020
OWDA Water Distribution, 1967	6.36	441,086	July 1, 2017
OWDA Lakes Project, 1995	6.87	2,513,646	July 1, 2015
OWDA Liberty Water Project, 1997	6.36	47,158	January 1, 2017
OWDA Sewer Treatment Plant Upgrade, 1987	8.48	4,267,088	July 1, 2007
OPWC Navajo Drive Storm Sewer Project, 1999	n/a	171,897	July 1, 2019
Ohio Edison Contract, 1999	n/a	2,300,000	December 15, 2001
Capital Improvement Notes, 1997	5.34	65,000	July 7, 2004
Police and Fire Pension	n/a	n/a	May 15, 2035
Capital Leases	n/a	n/a	Various

City of Girard - Trumbull County

Report on Accounting Methods

Debt Administration

(Continued)

The revenues pledge for repayment and the fund from which the debt service payments are made are as follows:

<u>Long-Term Obligation</u>	<u>Pledged Revenues</u>	<u>Fund</u>
Justice Center Notes	Income Tax Revenue	Capital Improvement Reimbursement Fund
Street Widening Notes	Income Tax Revenue	Capital Improvement Street Utilities Fund
1997 OWDA Loan	Water Revenues	Water Revenue Fund
1995 OWDA Loan	Water Revenues	Water Revenue Fund
1997 OWDA Loan	Water Revenues	Water Revenue Fund
1987 OWDA Loan	Sewer Revenue	Sewer Rental Fund
OPWC Loan	Income Tax Revenue	Street Construction Fund
Ohio Edison Contract	n/a	Street Utilities Fund
Capital Improvement Notes	n/a	Capital Improvements Fund
Leases	n/a	Various Funds
Police and Fire Pension Liability	Property Taxes	Police and Fire Pension Funds

Auditor of State Comments

- 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 Projects loan and \$225,125 for the 1987 Sewer Plant loan due July 1, 2001.
- The City has not notified the County Auditor of the issuance of debt.

City of Girard - Trumbull County

Report on Accounting Methods

Inventory of Fixed Assets

Description of an Effective Inventory of Fixed Assets

Fixed assets of the City should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model numbers, location, and date of purchase should be maintained by the City Auditor. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. The disposal of an asset should be properly authorized and reported to the City Auditor.

Methods Used by the City

The City completes an annual inventory of assets for each department and uses the information to update the insurance records. For reporting in accordance with generally accepted accounting principles (GAAP), the City creates a list of additions and deletions which is used to update the fixed asset balances for the financial statements. The annual inventory sheets provided to the Auditor's office are maintained in the Mayor's office.

Auditor of State Comments

- The City does not have policies and procedures to account for fixed assets.
- The City does not have inventory records to substantiate the amounts reported for the fixed assets in its financial statements.
- The City does not have a fixed asset accounting system.
- The annual inventory of fixed assets does not provide sufficient information about the fixed assets, and each department uses a different format for reporting information.
- 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.

City of Girard - Trumbull County

Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by the City should be deposited in a central bank account. Monies for all funds, should be maintained in the account or temporarily used to purchase investments. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAR Ohio, and/or other investments as authorized by State statute. Investment transactions should be conducted in accordance with the policies adopted by the Treasurer or City Council. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes.

A reconciliation between the bank and cash journal should be completed for all accounts on a monthly basis. The reconciliation should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed.

Methods as Described by the City

The City has multiple accounts in multiple banks. The City reconciles all of the bank accounts to the City's fund balances on a monthly basis, after month-end processes are completed.

Second National Bank B01 Account:	The main deposit account for receipts and payment of expenses for all funds for which a separate bank account has not been established. The account is tied to a repurchase (sweep) account for daily interest earnings.
Bank One T.C.T. Account:	Separate interest bearing account for the Tomko Cemetery trust fund monies.
Bank One T.C.K. Account:	Separate interest bearing account for the King Seklar Cemetery Trust Fund.
Bank One T.C.M. Account:	Separate interest bearing account for the Grand Army of the Republic Cemetery Trust Fund.
Bank One Certificate of Deposit:	A Certificate of Deposit for a portion of the Cemetery Perpetual Care Fund.
Bank One Dam/Lakes Account:	Separate interest bearing account for the dam and lakes project fund.

City of Girard - Trumbull County

Report on Accounting Methods

Cash Management and Investing

(Continued)

Farmers National Bank Account:	Separate interest bearing account for the cash balances of the various court funds: Municipal Court Special Projects, Municipal Probation, Municipal Court Computer, and Indigent Drivers Alcohol funds.
Second National Account T01:	Separate investment account to hold the interest of the Cemetery Perpetual Care Fund.
Second National Account T02:	A Certificate of Deposit for a portion of the Cemetery Perpetual Care principal.
Second National Account T03:	A Certificate of Deposit for a portion of the Cemetery Perpetual Care principal.
Second National Account T04:	Separate interest bearing account for the cemetery CHIP/CHIS fund monies.
Payroll Account:	A zero balance account from which payroll, payroll deductions, and payroll taxes are disbursed. Money is transferred from the City's general bank account to this account.

The Auditor's Office reconciles all of the City's bank accounts to the fund balances monthly. The various bank statements and reconciling documents are maintained by account, within the Auditor's Office.

The City has a petty cash fund in the Auditor's Office and change funds in various departmental offices that are not included in the City's fund balances. Reimbursement of petty cash is accomplished by generating a check to payable to CASH, and signed by the Auditor and Treasurer. The cash is placed in a petty cash box and is available for use by the Auditor's Office for departmental needs.

Auditor of State Comments

- The City does not include the amount of petty cash and change funds maintained within City offices on the monthly reconciliations.
- The City does not have written policies and procedures for petty cash and change funds, designating specific amounts by department or office.

City of Girard - Trumbull County

Report on Accounting Methods

- The check reimbursing petty cash is not made out to a specific individual designated as the custodian of petty cash.
- The City does not have a formal investment policy approved by the Treasurer or City Council.
- The City does not have an investment advisory board.
- The City Treasurer did not attend the Treasurer of State Annual Continuing Education Program.
- The City does not maintain an investment ledger.

City of Girard - Trumbull County

Report on Accounting Methods

Financial Reporting

Description of Effective Method of Financial Reporting

The City Auditor should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the City. In addition, information concerning the estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the City Auditor should prepare and publish a financial report prepared in accordance with generally accepted accounting principals.

Statutory Requirements: Section 117.38, Revised Code, requires that the annual financial report be filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year for reports prepared in accordance with generally accepted accounting principles (GAAP). At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer.

Administrative Code Requirements: Cities are required by Rule 117-2-03(B), Administrative Code, to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

Methods Used by the City

The City prepares its annual financial report in accordance with generally accepted accounting principals and submits a copy of its annual financial report to the Auditor of State within 150 days of the end of the City's fiscal year. At the time the report is filed, the fiscal officer publishes in the newspaper a notice that the report has been completed and is available at the office of the fiscal officer.

Monthly financial reports are used by the Auditor's Office. The Auditor provides City Council members with several reports at the second Council Meeting each month. The reports are as follows:

Statement of Cash Position: The report provides month and year-to-date receipts, disbursements, beginning and ending cash balance, encumbrances, and the unencumbered balance at the fund level.

Budget: A spreadsheet which provides information at the department level for the general fund and the fund level for other funds. Information included is the appropriated budget, monthly expenditures, year-to-date expenditures, average monthly expenditures, available appropriation balance, and based on the average monthly expenditure, the number of months left to deplete the available appropriations.

City of Girard - Trumbull County

Report on Accounting Methods

Financial Reporting

(Continued)

Bank Report: A report which shows the beginning and ending balances and year-to-date revenues, transfers-in, transfers-out, and expenditures for each of the City's bank accounts.

Cash Flow Forecast: A spreadsheet that includes a monthly detail column showing monthly expense, additional payroll, debt reduction payments, debt semi-annual payments, and annual payments for total anticipated cash needs.

Overtime History Report by Major City Department: A spreadsheet that lists the major departments and six years of overtime history with annual totals, and comparative amounts for the current month to the same prior year month.

Auditor of State Comments

- The Mayor, City department heads, and Municipal Court Judge do not receive financial data on a regular, recurring basis.
- Budget and actual data is not monitored and revised as circumstances require.
- City Council does not receive monthly reports for all funds and departments at the legal level of control adopted by council.

City of Girard - Trumbull County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The City Councils' minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions. An ordinance, resolution, or bylaw should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or bylaw, the yeas and nays should be entered into the minutes and the ordinance, resolution, or bylaw should be signed by the presiding officer and the Clerk of Council. All Council minutes, ordinances, and resolutions should be maintained as a permanent record of the City.

Statutory Requirements

Sections 731.20 through 731.24, Revised Code, address the passage, style, number of subjects, authentication and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution, or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the City Clerk and kept open for public inspection for ten days. Each ordinance, resolution, or bylaw is required to be adopted or passed by separate vote of the Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks.

Section 705.84 of the Ohio Revised Code requires that the Board of Control have stated meetings at least twice a week; keep a record of its proceedings; take its votes by yeas and nays, which votes shall be entered on the record; and adopt any motion or order only by a majority of the vote of all of the members of the board.

Auditor of State Comments

- Minutes of some Council Committee meetings were not maintained and some meeting minutes were not readily available.
- Minutes of some meetings were not signed by the Council President and the Clerk of Council.
- Council minutes state that various reports were presented to Council; however, copies of the reports were not available.
- 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.

City of Girard - Trumbull County

Report on Accounting Methods

Recording Official Proceedings

(Continued)

- Resolutions and ordinances do not always have signatures and the appropriate dates of passage written on the documents.
- The City does not have minutes for the bid openings.

City of Girard - Trumbull County

Report on Accounting Methods

Conclusion

The methods as described by the City and included in this report are based on our inquiries and discussions with City personnel and the related procedures documented in State statutes and Chapter 117 of the Ohio Administrative Code.

It is our opinion that the current accounting system of the City of Girard is inadequate to fulfill the financial reporting needs of the City. In addition, the current accounting system is not in compliance with Section 117 of the Ohio Revised Code and the requirements of the Auditor of State as noted in this report.



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OFFICE OF THE AUDITOR

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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
JANUARY 9, 2002**