



**Dave Yost • Auditor of State**

**City of Garfield Heights  
Cuyahoga County**

**Fiscal Emergency Termination**

**Local Government Services**



City of Garfield Heights, Cuyahoga County

Fiscal Emergency Termination

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Appendix A  
City of Garfield Heights Financial Forecast  
For the Years Ending December 31, 2013 through December 31, 2017

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# Dave Yost • Auditor of State

## CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the City of Garfield Heights, the Auditor of State performed an analysis of the City of Garfield Heights to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the City of Garfield Heights no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the City of Garfield Heights and its role in the operation of the City of Garfield Heights is terminated as of September 19, 2013.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Vic Collova, Mayor of the City of Garfield Heights; Nancy J. Marincic, President of City Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; Jon Husted, Secretary of State; and Wade Steen, Cuyahoga County Fiscal Officer.

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

DAVE YOST  
Auditor of State

September 19, 2013

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City of Garfield Heights, Cuyahoga County

Report on the Termination of the City of Garfield Heights  
Financial Planning and Supervision Commission

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**Report on the Termination of the Garfield Heights Financial Planning and Supervision Commission**

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

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

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

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

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

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

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

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

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

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

Report on the Termination of the City of Garfield Heights  
Financial Planning and Supervision Commission

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**Section 1 - Financial Accounting and Reporting System**

When a City is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the City's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Garfield Heights (the City) and issued a Report on Accounting Methods, dated November 24, 2009. The report identified areas where the City's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

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

**Budgetary System**

Auditor of State Comment from Report on Accounting Methods

The City Charter requires that the Mayor, along with the assistance of the Finance Director, shall prepare and submit to Council of a schedule of anticipated revenues and expenditures for the next succeeding year by November 15<sup>th</sup>. The Mayor is to advise Council as to the financial condition and needs of the City, including necessary appropriation measures. While the Mayor, Council, and the Finance Director meet with the department heads, a budget document, "the Mayor's Estimate," is not completed and presented to Council.

Implemented

The schedule of anticipate revenues and expenditures for the next succeeding year (2012) was provided to Council on August 30, 2011. The updated "Mayor's Estimate" was discussed and provided to Council on September 20, 2011 at the first budget hearing.

Auditor of State Comment from Report on Accounting Methods

The appropriations adopted by City Council does not provide management with any discretion in further allocating appropriations to more detail objects of expenditure within each fund and department. City Council should change the level of detail of control in the appropriation ordinance to fund, department, and major object level, which includes personal services, employee benefits, materials and supplies, contract services, capital outlay. Separate amounts should be appropriated for debt principal and interest and transfers. This change in the legal level of control would allow management to further allocate the amounts appropriated to more detail object levels within each fund and department and reduce the number of ordinances presented to Council moving appropriations from one account to another.

Implemented

City Council has changed the legal level of control to fund, department and major object level starting in 2012.



City of Garfield Heights, Cuyahoga County

Report on the Termination of the City of Garfield Heights  
Financial Planning and Supervision Commission

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Auditor of State Comment from Report on Accounting Methods

During 2006, 2007 and 2008, the City had deficit fund cash balances contrary to Section 5705.10, Revised Code.

Implemented

The City's cash position report presents all positive cash balances for the year ending December 31, 2012 as required by Section 5705.10, Revised Code.

Auditor of State Comment from Report on Accounting Methods

During 2006, 2007 and 2008, the City had expenditures plus encumbrances that exceeded the Council adopted appropriations contrary to Section 5705.41(B), Revised Code.

Implemented

During 2012, all funds of the City had expenditures plus encumbrances that were within the Council adopted appropriations in compliance with Section 5704.41(B), Revised Code.

Auditor of State Comment from Report on Accounting Methods

During 2006, 2007 and 2008, the City had appropriations that exceeded estimated resources contrary to Section 5705.39, Revised Code.

Implemented

During 2012, all funds of the City had appropriations that were within the estimated resources certified by the County as required by Section 5705.39, Revised Code.

Auditor of State Comment from Report on Accounting Methods

The Finance Director presents an expenditure report to Council that excludes encumbrances from the comparison of expenditures to appropriations. The expenditure report should be corrected to include encumbrances so that compliance with budgetary requirements is accurately presented.

Implemented

The Finance Director now presents to Council an expenditure report which includes encumbrances in the comparison of expenditures and encumbrances to appropriations.

Auditor of State Comment from Report on Accounting Methods

Each year that new Council Members and Mayor are elected, a workshop or several workshops should be scheduled upon them taking office where the function of the elected officials, City departments, the budgetary process, including the restriction on the use of City funds are presented and discussed.

Implemented

The new Council Members as well as the Mayor have attended a workshop held by the State in order to learn about the function of their positions, the City departments, the budgetary process and the restrictions on the uses of the City funds.

City of Garfield Heights, Cuyahoga County

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

The City levies and receives a property tax in the amount of 16.0 mills for the payment of the basic amount of wages of the police and fire departments as defined in Section 41 of the Garfield Heights City Charter. The millage is changed annually based on the proposed tax budget approved by City Council and without further voter approval. The property tax proceeds are receipted into the average pay special revenue fund and are transferred to the general fund. Section 5705.09, Revised Code, requires a special fund for each special levy and Section 5705.10, Revised Code, requires all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made, and requires money paid into any fund to be used only for the purpose for which such fund is established. The City, beginning in 2010, should cease transferring the levy proceeds to the general fund and account for the payment of the basic wages of the police and fire departments within the average pay fund.

Implemented

The basic wages of the police and fire departments are now accounted for within the average pay fund.

**Accounting Ledgers**

Auditor of State Comment from Report on Accounting Methods

The City does not have written month or year-end closing procedures. These procedures should be documented and maintained in the Finance Department.

Implemented

The City has prepared month and year-end closing procedures that are documented in a binder located in the Finance Department.

Auditor of State Comment from Report on Accounting Methods

The City does not have a disaster recovery plan. A disaster recovery plan identifies how the City would restore operations, including information technology and accounting functions if the City would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act) which prevents it from continuing normal operations. The City should develop and implement a disaster recovery plan.

Implemented

The City has implemented a disaster recovery plan, that identifies how the City would restore operations. All of the City's servers, computers and all capital assets are covered under insurance. For their main financial software (SSI system), they have ongoing maintenance and support agreements for the software itself from SSI, plus operational maintenance support through the Regional Income Tax Agency (RITA) for the daily operations. Through the RITA support agreement, the City has off-site facilities (any RITA facility) whereby they can move and continue operations. Payroll, budgetary, and payables data files are backed up daily to tape backup and individual flash drives for each module that are taken off-site nightly. The City's financial software is currently in the testing process of daily backups to RITA.

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Auditor of State Comment from Report on Accounting Methods

The City's accounting software is more than 20 years old. The City did not acquire several other modules that would have been beneficial. Since the software is only accessible from two data lines into the City, it is limited to two users. The software does not allow for the encumbrance of contractual and other purchase commitments/obligations which forces monitoring of budgetary compliance outside the system. The City should assess its accounting functions and needs in all City departments, including the finance department, to develop appropriate specifications for a request for proposal to seek bids for the replacement of the accounting software.

Implemented

The City purchased the Software Solutions Integrated (SSI) system in 2011.

**Receipt Transactions**

Auditor of State Comment from Report on Accounting Methods

All departments remit collections to the Finance Department on a daily basis. Collections are kept in a locked cabinet in the Finance Department until the end of the week. Section 9.38, Revised Code, requires that receipts be deposited within 24 hours.

Implemented

The City has established a "custody and deposits" policy. All departments are required to send their receipts within 24 hours to the Finance Department. As per Section 9.38, Revised Code, the City deposits receipts in excess of \$1,000 within 24 hours. For receipts under \$1,000, the City has purchased two safes for all cash funds collected by the Finance Department for safekeeping until \$1,000 in receipts is reached.

Auditor of State Comment from Report on Accounting Methods

The City levies an income tax on all salaries, wages, commissions and other compensation, and on net profits earned in the City for the purposes of general municipal functions of the City. The entire tax proceeds are recorded in a separate fund. With the exception of the City Charter requirement to record 6 percent of the tax proceeds in each of the Street and Sewer funds, this tax revenue is unrestricted. Beginning in 2010, the City should record the income tax revenues, except for the amounts to be recorded in the street and sewer fund, in the general fund and transfer to other funds the amounts required by Chapter 181 of the City Administrative Code.

Implemented

The City reviewed its current income tax procedures and determined to continue utilizing the income tax fund. All expenses for the collection of income taxes are recorded in one fund and the net proceeds are then transferred in accordance with Chapter 181 of the City Administrative Code.

Auditor of State Comment from Report on Accounting Methods

The Recreation Department's receipt information is documented on both the Daily Check-Out Sheet and the Daily Summary. The Recreation Department should combine the Daily Check-Out Sheet and Daily Summary into one document to eliminate recording duplication.

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Implemented

The Recreation Department completes the Daily Check-Out Sheet. The Daily Check-Out Sheet is then submitted to the Finance Department along with all receipts. The Finance Department completes a Daily Summary of the receipts to complete the pay-in and post the receipts. The Finance Department uses the Daily Summary to ensure the completeness of the Daily Check-Out Sheets.

Auditor of State Comment from Report on Accounting Methods

Cash security deposits for hall rentals are kept locked in the Service Department until the time of the event. The cash security deposit is returned to the customer immediately following the event if the hall is left in good condition. The staff employee and the customer both sign a refund of security deposit receipt acknowledging the return of the customer's deposit. The Service Department should turn in cash security deposits to the Finance Department when received. The Finance Department should issue a refund check to the customer within a week. As an alternative, the City may establish a petty cash fund for the refund of security deposits.

Implemented

The City no longer rents the hall. If hall rentals are reinstated by the City, any cash security deposits received by the Service Department will be given to the Finance Department upon receipt.

Auditor of State Comment from Report on Accounting Methods

After the third notice of unpaid billings, the Law Department attempts to collect unpaid billings by making a phone call to the customer and sending a letter, however, the Law Department was not successful in the past. The City should use a collection agency to ensure payment of outstanding billings.

Implemented

The City has two large outstanding unpaid billings with other local governments. The Law Department is currently working with the corresponding city's law department for the collection of these billings. The City places an assessment on the property owner's tax bill for a majority of the delinquent billings. Any remaining billings that are outstanding are immaterial. Therefore, the City has chosen to not utilize a collection agency.

**Purchasing Process**

Auditor of State Comment from Report on Accounting Methods

Section 27 of the City Charter and Section 5205.41(D) of the Revised Code, provide that no expenditures of money shall take place without proper authorization. Requisitions and purchase orders are approved after an invoice has already been received. The requisition and purchase order should be dated, prepared with all the necessary information and approved prior to obligations being incurred. Obligation incurred without prior certification may be certified with a then and now certification.

Implemented

The requisition and purchase order are dated, prepared with all the necessary information and approved prior to obligations being incurred. The City uses a then and now certificate for obligations incurred without prior certification.

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Auditor of State Comment from Report on Accounting Methods

The original purchase order is not sent to the vendor. The purchase order should be mailed or faxed to the vendor.

Implemented

The City now requires that all purchase orders are either mailed or faxed to the vendor.

Auditor of State Comment from Report on Accounting Methods

The City occasionally issues purchase orders to a vendor before all the required information has been turned in and the Finance Director has given approval. The City should have all new vendors fill out the IRS Form W-9 and the Finance Director should approve the vendor before placing orders with that vendor.

Implemented

All new vendors complete the IRS Form W-9 and the Finance Director approves the vendor prior to the City placing orders with that vendor.

Auditor of State Comment from Report on Accounting Methods

The City does not utilize the Auditor of State Findings for Recovery Database when entering into all contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The City should verify vendors against the State's database of findings for recovery before entering into a contract for goods, services, or construction paid for in whole or in part with State funds.

Implemented

The City verifies vendors against the Auditor of State Finding for Recovery Database prior to entering into a contract for goods, services, or construction paid for in whole or in part with State funds.

Auditor of State Comment from Report on Accounting Methods

The City does not have a formal purchasing policy and purchasing procedures for the City are not documented. A purchasing policy for the City should be developed, adopted by ordinance, and distributed to all departments.

Implemented

A purchasing policy which includes purchasing procedures has been approved by City Council and has been distributed to all departments.

Auditor of State Comment from Report on Accounting Methods

The City doesn't track expenditures against blanket purchase orders. Each department should maintain an itemized statement of expenditures made against each blanket purchase order and this information should be provided to the Finance Department.

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Implemented

The Finance Department tracks expenditures against blanket purchase orders. Once the blanket purchase order is nearing zero, the Finance Department notifies the department that requested the purchase order.

**Cash Disbursements**

Auditor of State Comment from Report on Accounting Methods

The City should document the procedures for cash disbursements including the staff positions and their functions. This document should also include procedures for invoices exceeding the purchase order and the use of “Then and Now” certifications. The document should be kept on file in the Director of Finance’s office. The document should be reviewed periodically to ensure procedures are followed and it is kept up to date.

Implemented

There are written policies and procedures for the disbursement of funds, including all staff positions and their job functions, as well as procedures for invoices exceeding the purchase order and the use of “Then and Now” certifications. The policies are kept on file in the Finance Director’s office and will be reviewed periodically to ensure procedures are followed and it is kept up to date.

Auditor of State Comment from Report on Accounting Methods

The Finance Director authorizes the payment of City obligations when there is sufficient cash in the treasury to cover the obligations. In addition to sufficient cash in the treasury, there should be a determination of sufficient cash in the fund or funds from which the obligation is paid so that deficit cash balances are avoided.

Implemented

The City’s funds have sufficient cash balances to cover disbursements made. This is evidenced by the determination of sufficient cash in all funds from which obligations are paid.

Auditor of State Comment from Report on Accounting Methods

Various obligations such as utilities, employee benefits and some contracts are paid without the fiscal officer’s certification. Section 5705.41(D), Revised Code, provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer saying that the amount required to meet the obligation has been lawfully appropriated and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. The fiscal officer should provide an appropriate certification for all City obligations.

Implemented

The City uses purchase orders for utilities, employee benefits and contracts. All purchase orders include a certificate of the fiscal officer stating that the amount required to meet the obligation has been lawfully appropriated and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances.

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Auditor of State Comment from Report on Accounting Methods

Invoices are mailed to either the originating department or the finance department. The Finance Department should require all invoices to be mailed to the Finance Department. Invoices should be copied and sent to the appropriate department for approval and returned along with the packing slip and any other supporting documentation to the Finance Department.

Implemented

Invoices sent to departments other than the Finance Department are signed as proof that the service was performed or product received. The signed invoice is then sent to the Finance Department to be matched to the purchase order authorizing the payment. If the invoice is sent to the Finance Department, then the packaging slip must be signed and sent to the Finance Department to be processed for payment.

Auditor of State Comment from Report on Accounting Methods

The Finance Manager is responsible for entering all information into the accounts payable system. The Accounts Payable Clerk could be doing all the data entry, thus eliminating the need to create duplicate manual reports and system reports.

Implemented

The Accounts Payable Clerk inputs information to generate the purchase order, processes and matches invoices with purchase orders and prints the checks. The Finance Manager verifies the check report. The Finance Director approves all check batches prior to checks being mailed.

Auditor of State Comment from Report on Accounting Methods

The keys for the check signer are kept on the Accounts Payable Clerk's desk. The keys should be in the possession of the Finance Director and when it is needed he should be the one to give it to the person needing it.

Implemented

With the implementation of the new accounting software, SSI, the City prints all checks on blank stock with signatures attached. The key that switches between the payroll and accounting checks is kept locked in the safe.

Auditor of State Comment from Report on Accounting Methods

In the absence of the Finance Director, the cash disbursement process comes to a halt. During these times, the Finance Manager should have the authority to perform the Finance Director's functions.

Implemented

As part of the City's cash disbursements procedures, the Finance Manager now has the authority to perform functions in the Finance Director's absence.

Report on the Termination of the City of Garfield Heights  
Financial Planning and Supervision Commission

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**Payroll Processing**

Auditor of State Comment from Report on Accounting Methods

The City does not have written procedures regarding the payroll process. The Finance Director should document its payroll procedures and maintain them in the Finance office.

Implemented

The City has prepared payroll processing steps which are maintained in the Finance office.

Auditor of State Comment from Report on Accounting Methods

The employee who processes payroll has access to and is responsible for making rate adjustments and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file.

Implemented

Only two persons in the Finance Department have access to payroll – the Finance Director, and the payroll clerk. When a rate adjustment or change is made in the payroll system by the payroll clerk, a report is printed which shows any changes made to any employees payroll from the last pay. The Finance Director reviews the report to make sure that all the changes are correct.

Auditor of State Comment from Report on Accounting Methods

The City assigns employees into one of three payroll groups. All payroll groups have the same pay date; however, each payroll group has a different pay period. In addition, the number of days between the end of the pay period and the pay date differs for all three groups. Due to the lack of sufficient time between the end of the pay period and the pay date, the City is forced to pay overtime in the following pay period instead of the current period in which it was earned. The City should adjust its pay periods so that all employees are on the same pay period. In addition, employees should receive compensation 13 days following the end of the pay period which will allow sufficient time to process overtime in the same pay period that it is earned. The establishment of the same pay period and number of days between the end of the pay period and the pay date for all employees will allow for consistency in payroll processing.

Implemented

At this time, the pay periods are determined in the negotiated agreements. The City will continue to work with the various unions to allow for consistent pay periods.

Auditor of State Comment from Report on Accounting Methods

The City does not track employee leave balances within the payroll system. Employee leave balances are only tracked by each department on an annual leave balance form. After the end of each year, the annual leave balance forms are sent to the Finance department where the Finance Manager uses the forms to calculate the City's compensated absences liability. The City should track employee leave balances in the payroll system. The earnings statement received by employees with each pay should indicate leave earned and used in the current pay period as well as total remaining leave balances.



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Implemented

The City reviewed its current procedures in tracking employee leave balances and determined to continue them at this time. The City is currently looking into purchasing a time-keeping module that will interface with their financial software to track employee leave balances, as well as allow the employees' leave earned and used and total remaining leave balances in the current pay period. In the meantime, the City will randomly audit a number of employees' leave balances from various departments during the year to ensure that they are correct.

**Capital Assets and Supplies Inventory**

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies and procedures for capital assets and the City does not annually verify the existence of capital assets. The City should prepare and adopt a comprehensive capital asset policy that should address such things as valuing donated assets, assigning salvage values, establishing capitalization thresholds, and determining the estimated useful life of an asset. The City should also prepare written capital asset procedures that include documentation for each asset and prescribe how accountability will be maintained.

Implemented

The City has implemented written policies and procedures for capital assets. The policies include methods for valuing donated assets, assigning salvage values, establishing capitalization thresholds, and determining the estimated useful life of an asset. The City now also has procedures for documenting each asset how each asset will be accounted for and maintained.

Auditor of State Comment from Report on Accounting Methods

The City does not have written policies and procedures to account for consumable inventory. The City should prepare a policy for consumable inventory. The policy should include an annual year-end physical inventory. Procedures for performing the inventory should also be developed, documented and maintained in the office of the Director of Finance.

Implemented

The City has implemented written policies and procedures for consumable inventory, that includes a process for the development, documentation and maintenance of the annual year-end physical inventory

Auditor of State Comment from Report on Accounting Methods

The City does not have a written capitalization threshold but in practice the City generally uses \$1,000 as the capitalization threshold. Assets that have a value of less than the minimum value are capitalized. The City should adjust the capitalization threshold value or establish some other method for accounting for and tracking capital assets below the minimum threshold.

Implemented

The City has implemented written policies and procedures for capitalization of assets, which includes capitalization thresholds procedures, and the tracking of capital assets under the threshold amount of \$1,000 and over.

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Auditor of State Comment from Report on Accounting Methods

The City uses Excel spreadsheets to account for and track its capital assets. The use of spreadsheets does not ensure the integrity of the data and spreadsheets increases the risk that a capital assets record may be deleted and not detected in a reasonable period of time. The City should purchase a capital asset accounting system that meets the accounting and reporting requirement of the City.

Implemented

The City has chosen to continue to use of Excel spreadsheets to track its capital assets. The City has created Excel spreadsheets that meet the accounting and reporting requirements of the City.

Auditor of State Comment from Report on Accounting Methods

The City does not assign salvage value to depreciable capital assets. In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value. The City should assign salvage values to depreciable assets and recalculate annual and accumulated depreciation.

Implemented

The City has implemented written policies and procedures for capitalization of assets, which includes the procedure for assigning salvage values to depreciable capital assets.

**Cash Management**

Auditor of State Comment from Report on Accounting Methods

The City does not have written procedures for petty cash and the replenishment of it. The Finance Director is the custodian of all funds. Written procedures should be developed for the petty cash which includes the individual designated as the custodian, and the custodian's duties and responsibilities.

Implemented

The City now has written procedures for petty cash and its replenishment. The procedure includes the departments as the custodian of the funds and their duties and responsibilities.

Auditor of State Comment from Report on Accounting Methods

The City does not include the amount of petty cash and cash drawers maintained within City offices on the monthly reconciliations. The petty cash and change funds should be included on the City's monthly reconciliation.

Implemented

As part of the month end procedures, the City departments are now required to balance their petty cash and change funds and submit the reconciliations as well as any replenishment purchase requisitions to the Finance Department. The reconciled petty cash amounts are included in the month end reconciliation.

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Auditor of State Comment from Report on Accounting Methods

The City only receives interest on the checking account. The City doesn't always post interest to the proper funds. The City needs to establish an investment policy and begin investing in STAR Ohio, certificates of deposit and other eligible securities.

Implemented

The City now has an investment policy that states that they will follow the statutory provisions of the State. The City began investing in STAR Ohio during 2012. The City posts interest from the STAR Ohio and general checking account to the general fund and then redistributes that interest every six months to the proper funds, based upon their ending monthly fund balance. The Huntington Bank checking account interest is recorded to the bond retirement fund.

Auditor of State Comment from Report on Accounting Methods

The City holds the books open until the completion of the bank reconciliations, which is by the 10th day of the following month. The books should be closed on the last day of the month. Any reconciling items can be posted to the current month.

Implemented

The City has determined that it is unreasonable to close the books on the last day of the month. As part of month end procedures included in the financial recovery plan, the City has deemed it reasonable to have the books closed by the 12th day of the following month.

**Financial Reporting**

Auditor of State Comment from Report on Accounting Methods

At the time the annual financial report is filed with the Auditor of State, the Finance Department must publish in the newspaper notice of the completion of the report and that the report is available for inspection. The City has not published completion of the report in the newspaper for the past several years.

Implemented

The City published in the newspaper notice of the completion and availability for inspection of the general purpose external financial statements for the year ending December 31, 2012.

**Audit Report and Management Letters**

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

The noncompliance issues noted in the audit included not certifying the expenditures prior to expending funds, unresolved findings for recovery, not meeting with the Municipal Court and municipal corporations at least every six months for the apportionment of current operating costs, expenditures plus encumbrances exceeding appropriations at the legal level of control and the City has not established a records retention policy.

City of Garfield Heights, Cuyahoga County

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Financial Planning and Supervision Commission

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In addition, the management letter made several recommendations including adopting a cell phone and credit card policy, updating the travel policy for frequent flyer benefits, adopting a personal information policy, proper classification of intergovernmental revenue and placing outstanding stale checks from the general and payroll checking accounts into unclaimed funds. The City is working on addressing these recommendations.

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

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

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

**Condition One - Default on Any Debt Obligation**

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

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

A summary of the City's outstanding debt as of December 31, 2012, is as follows:

<u>Debt Issue</u>	<u>Year Issued</u>	<u>Interest Rate</u>	<u>Issue Amount</u>
General Obligation Bonds:			
Various Improvements	2004	4.45%	\$9,900,000
Various Purpose Improvement Refunding	2006	4.00	1,885,000
Various Purpose Refunding	2006	4.00	2,307,466
Street Improvements	2006	4.00	2,790,000
Various Improvements	2010	3.00	9,830,000
Various Purpose Improvement Refunding	2012	3.00	5,775,000
Navajo Drive Storm Sewer Project	1999	0.00	171,897
Special Assessment Bonds:			
Various Purpose Improvement Refunding	2006	4.00	325,000
Various Purpose Refunding	2006	4.00	872,534
Local Government Borrowing	2009	4.00	3,600,000
Police and Fire Pension	1973	4.25	801,884

We reviewed the outstanding indebtedness as of December 31, 2012. The City had \$26,915,465 in outstanding debt at December 31, 2012, and had made all debt payments due as of that date.

City of Garfield Heights, Cuyahoga County

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Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at December 31, 2012.

**Condition Two - Payment of All Payroll**

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

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

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

We reviewed the payroll records of the City as of December 31, 2012. We reviewed Council minutes, ordinances, resolutions, and had discussions with the Finance Director to determine the employees of the City, pay rates, frequency of payroll, and whether any extensions for the payment of payroll existed. We reviewed the payroll reports and the payroll bank statement to determine whether City employees had been paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 31, 2012. All employees had been paid in amounts and at the times required by ordinance.

**Condition Three - Increase in Minimum Tax Levy**

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

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

We confirmed with the Cuyahoga County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the City for 2011, which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Cuyahoga County Budget Commission indicated that the Commission had not taken any action for tax year 2012 to increase the inside millage of the City.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 31, 2012.

City of Garfield Heights, Cuyahoga County

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

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

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

We prepared a schedule of accounts payable as of December 31, 2012, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2012, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties.

We prepared a schedule of accounts payable (as defined above) for all funds which were at least thirty days past due or to which a penalty was added as of December 31, 2012. 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 2012, excluding non-recurring receipts of all special funds from which such accounts are lawfully payable.

**Conclusion:** A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2012. There were no payables that were in excess of available balance in any of the City's funds.

**Condition Five - Deficit Fund Balances**

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

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

We computed the adjusted aggregate sum of all deficit funds at December 31, 2012, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. We then determined if the aggregate deficit fund balance exceeded one-sixth of the fund receipts of those deficit funds.

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Schedule I

Deficit Fund Balances  
Ohio Revised Code Section 118.03(A)(5)  
As of December 31, 2012

Funds	Cash Fund Balances	Less Accounts Payable and Encumbrances	Adjusted Aggregate Sum of Funds With Deficit Balances	One-Sixth Fund Receipts	Unprovided Portion of Aggregate
Street Lighting	\$0	\$125,104	(\$125,104)	\$576,296	\$0

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

**Condition Six - Treasury Balances**

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

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

We verified the City's reconciled bank balance to its cash summary by fund for all funds as of December 31, 2012, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all fund cash balances.

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Schedule II

Treasury Balances  
Ohio Revised Code Section 118.03(A)(6)  
As of December 31, 2012

	Amounts at December 31, 2012
<b>Bank Cash Balance</b>	
General Account	\$3,420,859
Payroll Account	124,547
Bond Retirement Accounts	6,467
Local Government Fund Note Account	182,083
STAR Ohio Account	1,001,858
<i>Total Bank Cash</i>	<u>4,735,814</u>
<i>Adjustments for:</i>	
Outstanding Checks	(122,293)
Other	6,119
<i>Total Adjustments</i>	<u>(116,174)</u>
<i>Total Treasury Balance</i>	<u>4,619,640</u>
<b>Less: Positive Cash Fund Balances</b>	
General	1,306,497
Street Lighting	128,667
Permanent Improvement	81,522
Recreation	205,065
Street Construction, Maintenance and Repair	223,518
State Highway	25,970
Motor Vehicle License Tax	26
Storm and Sanitary	82,116
Water Distribution	28,146
Federal Nutrition	3,269
Community Development	3,860
Law Enforcement Trust	48,875
Indigent Drivers Alcohol	371,515
Enforcement and Education	9,866
Municipal Court Probation Services	5,774
Municipal Court Special Services	421,033
Municipal Court Capital Improvements	69,864
Garfield Heights Family Resources	102,429
Street Improvement Bond	27,939
Transportation/Antenucci Boulevard Improvements	891,155
Bond Retirement	188,423
Revolving Equipment	106,811
Restricted	287,300
<i>Total Positive Balances</i>	<u>4,619,640</u>
Treasury Deficiency	<u>\$0</u>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2012. The treasury balance less the positive fund cash balances as of December 31, 2012, did not exceed one-sixth of the treasury receipts for the year.



Report on the Termination of the City of Garfield Heights  
Financial Planning and Supervision Commission

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**Section 3 - Financial Plan Objectives**

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

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

All objectives of the financial plan have been met.

**Section 4 - Financial Forecast**

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

**DISCLAIMER**

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

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**APPENDIX A**

**City of Garfield Heights  
Cuyahoga County**

**Financial Forecast**

**For the Years Ending December 31, 2013 through December 31, 2017**

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City of Garfield Heights, Ohio

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# Dave Yost • Auditor of State

City Council  
City of Garfield Heights  
5407 Turney Road  
Garfield Heights, Ohio 44125

Based upon the requirement set forth in section 118.27(A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, expenses, and changes in fund balance of the various funds of the City of Garfield Heights, for the five years ending December 31, 2017. These statements are presented on the budget basis of accounting used by the City of Garfield Heights rather than on generally accepted accounting principles. The City of Garfield Heights's management is responsible for the forecast. Our responsibility is to determine whether the City has met the criteria that allows for the fiscal emergency to be terminated.

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

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

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

DAVE YOST  
Auditor of State

August 19, 2013

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
**General Fund**

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
<b>Revenues</b>				
Property Taxes	\$695,000	\$654,000	\$654,000	\$477,000
Municipal Income Tax	6,679,000	6,994,000	7,317,000	8,076,000
Intergovernmental	2,576,000	2,489,000	2,099,000	1,852,000
Charges for Services	31,000	0	29,000	0
Fees, Licenses and Permits	2,744,000	3,280,000	5,200,000	4,305,000
Fines and Forfeitures	1,180,000	846,000	698,000	700,000
Investment Income	2,000	3,000	5,000	4,000
Other	675,000	1,218,000	1,056,000	948,000
<b>Total Revenues</b>	<b>14,582,000</b>	<b>15,484,000</b>	<b>17,058,000</b>	<b>16,362,000</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>General Government</b>				
<b>Executive - Mayor</b>				
Personal Services	144,000	133,000	132,000	134,000
Fringe Benefits	52,000	47,000	56,000	60,000
Contractual Services	6,000	7,000	9,000	9,000
Materials and Supplies	1,000	1,000	1,000	1,000
<b>Total Mayor</b>	<b>203,000</b>	<b>188,000</b>	<b>198,000</b>	<b>204,000</b>
<b>Legislative</b>				
Personal Services	132,000	130,000	116,000	115,000
Fringe Benefits	18,000	19,000	22,000	22,000
Contractual Services	0	0	1,000	0
Materials and Supplies	1,000	0	0	1,000
<b>Total Legislative</b>	<b>151,000</b>	<b>149,000</b>	<b>139,000</b>	<b>138,000</b>
<b>Finance</b>				
Personal Services	262,000	209,000	212,000	217,000
Fringe Benefits	92,000	75,000	87,000	92,000
Contractual Services	71,000	61,000	8,000	35,000
Materials and Supplies	3,000	1,000	2,000	3,000
<b>Total Finance</b>	<b>428,000</b>	<b>346,000</b>	<b>309,000</b>	<b>347,000</b>
<b>Legal Administration</b>				
Personal Services	312,000	306,000	313,000	328,000
Fringe Benefits	109,000	112,000	134,000	144,000
Contractual Services	35,000	47,000	36,000	30,000
Materials and Supplies	1,000	1,000	1,000	1,000
<b>Total Legal Administration</b>	<b>457,000</b>	<b>466,000</b>	<b>484,000</b>	<b>503,000</b>
<b>Engineer</b>				
Contractual Services	\$23,000	\$23,000	\$24,000	\$34,000



2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$477,000	\$477,000	\$477,000	\$477,000
7,624,000	7,776,000	7,932,000	8,090,000
1,196,000	909,000	909,000	909,000
0	0	0	0
4,104,000	4,004,000	4,004,000	3,904,000
700,000	700,000	700,000	700,000
5,000	5,000	5,000	5,000
923,000	923,000	923,000	923,000
<u>15,029,000</u>	<u>14,794,000</u>	<u>14,950,000</u>	<u>15,008,000</u>
134,000	134,000	134,000	134,000
63,000	65,000	68,000	72,000
8,000	9,000	9,000	8,000
1,000	1,000	1,000	1,000
<u>206,000</u>	<u>209,000</u>	<u>212,000</u>	<u>215,000</u>
115,000	115,000	115,000	115,000
22,000	22,000	22,000	22,000
0	0	0	0
1,000	1,000	1,000	1,000
<u>138,000</u>	<u>138,000</u>	<u>138,000</u>	<u>138,000</u>
217,000	217,000	217,000	217,000
96,000	100,000	104,000	109,000
35,000	35,000	36,000	36,000
2,000	2,000	2,000	2,000
<u>350,000</u>	<u>354,000</u>	<u>359,000</u>	<u>364,000</u>
317,000	317,000	317,000	317,000
148,000	155,000	163,000	170,000
30,000	30,000	30,000	30,000
1,000	1,000	1,000	1,000
<u>496,000</u>	<u>503,000</u>	<u>511,000</u>	<u>518,000</u>
<u>\$34,000</u>	<u>\$34,000</u>	<u>\$34,000</u>	<u>\$34,000</u>

(continued)

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
 General Fund (continued)

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
Architect				
Contractual Services	\$11,000	\$0	\$0	\$0
Court				
Personal Services	633,000	643,000	816,000	761,000
Fringe Benefits	306,000	284,000	372,000	378,000
Contractual Services	31,000	31,000	77,000	43,000
Materials and Supplies	61,000	51,000	68,000	67,000
Total Court	1,031,000	1,009,000	1,333,000	1,249,000
Economic Development				
Personal Services	109,000	115,000	102,000	114,000
Fringe Benefits	30,000	30,000	39,000	41,000
Contractual Services	1,000	5,000	3,000	6,000
Materials and Supplies	0	0	0	0
Total Economic Development	140,000	150,000	144,000	161,000
Civil Service Commission				
Personal Services	5,000	5,000	5,000	5,000
Fringe Benefits	1,000	1,000	1,000	1,000
Contractual Services	0	11,000	0	1,000
Total Civil Service Commission	6,000	17,000	6,000	7,000
Management Information Systems				
Personal Services	0	0	29,000	46,000
Fringe Benefits	0	0	13,000	17,000
Contractual Services	0	0	0	2,000
Materials and Supplies	0	0	0	3,000
Total Management Information Systems	0	0	42,000	68,000
Lands and Buildings				
Personal Services	474,000	251,000	184,000	185,000
Fringe Benefits	175,000	71,000	71,000	72,000
Contractual Services	510,000	530,000	538,000	472,000
Materials and Supplies	97,000	164,000	91,000	101,000
Intergovernmental	213,000	233,000	100,000	99,000
Total Lands and Buildings	\$1,469,000	\$1,249,000	\$984,000	\$929,000

<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
762,000	762,000	762,000	762,000
392,000	411,000	432,000	454,000
43,000	43,000	43,000	43,000
<u>67,000</u>	<u>67,000</u>	<u>67,000</u>	<u>67,000</u>
<u>1,264,000</u>	<u>1,283,000</u>	<u>1,304,000</u>	<u>1,326,000</u>
114,000	114,000	114,000	114,000
43,000	44,000	45,000	47,000
6,000	6,000	6,000	6,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>163,000</u>	<u>164,000</u>	<u>165,000</u>	<u>167,000</u>
5,000	5,000	5,000	5,000
1,000	1,000	1,000	1,000
<u>15,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
<u>21,000</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
46,000	46,000	46,000	46,000
18,000	19,000	19,000	21,000
2,000	2,000	3,000	2,000
<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
<u>69,000</u>	<u>70,000</u>	<u>71,000</u>	<u>72,000</u>
185,000	185,000	185,000	185,000
74,000	77,000	81,000	84,000
472,000	472,000	472,000	472,000
101,000	101,000	101,000	101,000
<u>99,000</u>	<u>99,000</u>	<u>99,000</u>	<u>99,000</u>
<u>\$931,000</u>	<u>\$934,000</u>	<u>\$938,000</u>	<u>\$941,000</u>

(continued)

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
*General Fund (continued)*

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
Miscellaneous				
Fringe Benefits	\$1,272,000	\$1,131,000	\$274,000	\$18,000
Contractual Services	1,265,000	861,000	949,000	897,000
Materials and Supplies	15,000	6,000	7,000	12,000
Intergovernmental	157,000	168,000	194,000	235,000
Miscellaneous	13,000	1,000	4,000	7,000
Total Miscellaneous	<u>2,722,000</u>	<u>2,167,000</u>	<u>1,428,000</u>	<u>1,169,000</u>
<i>Total General Government</i>	<u>6,641,000</u>	<u>5,764,000</u>	<u>5,091,000</u>	<u>4,809,000</u>
Security of Persons and Property				
General Law Enforcement				
Personal Services	4,518,000	4,599,000	3,890,000	0
Fringe Benefits	1,830,000	1,421,000	1,749,000	0
Contractual Services	130,000	122,000	75,000	0
Materials and Supplies	24,000	8,000	44,000	0
Intergovernmental	170,000	184,000	241,000	0
Capital Outlay	0	0	14,000	36,000
Total General Law Enforcement	<u>6,672,000</u>	<u>6,334,000</u>	<u>6,013,000</u>	<u>36,000</u>
Fire Prevention				
Personal Services	3,231,000	3,397,000	3,093,000	0
Fringe Benefits	1,514,000	1,238,000	1,417,000	0
Contractual Services	46,000	48,000	45,000	0
Materials and Supplies	25,000	32,000	25,000	0
Intergovernmental	108,000	117,000	103,000	0
Capital Outlay	0	0	40,000	151,000
Total Fire Prevention	<u>4,924,000</u>	<u>4,832,000</u>	<u>4,723,000</u>	<u>151,000</u>
Civil Defense				
Fringe Benefits	7,000	7,000	7,000	7,000
Safety Administration				
Personal Services	122,000	70,000	69,000	76,000
Fringe Benefits	54,000	21,000	24,000	26,000
Total Safety Administration	<u>176,000</u>	<u>91,000</u>	<u>93,000</u>	<u>102,000</u>
Police Communication				
Personal Services	605,000	503,000	501,000	515,000
Fringe Benefits	274,000	195,000	220,000	230,000
Intergovernmental	3,000	3,000	0	0
Total Police Communication	<u>\$882,000</u>	<u>\$701,000</u>	<u>\$721,000</u>	<u>\$745,000</u>

<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$16,000	\$16,000	\$16,000	\$16,000
897,000	777,000	777,000	777,000
11,000	11,000	11,000	11,000
171,000	206,000	171,000	206,000
<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
<u>1,098,000</u>	<u>1,013,000</u>	<u>978,000</u>	<u>1,013,000</u>
<u>4,770,000</u>	<u>4,709,000</u>	<u>4,717,000</u>	<u>4,795,000</u>
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>
76,000	76,000	76,000	76,000
<u>27,000</u>	<u>28,000</u>	<u>29,000</u>	<u>30,000</u>
<u>103,000</u>	<u>104,000</u>	<u>105,000</u>	<u>106,000</u>
515,000	515,000	515,000	515,000
240,000	251,000	263,000	276,000
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$755,000</u>	<u>\$766,000</u>	<u>\$778,000</u>	<u>\$791,000</u>

(continued)

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
*General Fund (continued)*

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
<b>Animal Control</b>				
Personal Services	\$64,000	\$49,000	\$51,000	\$55,000
Fringe Benefits	37,000	14,000	22,000	22,000
Contractual Services	3,000	3,000	4,000	3,000
Materials and Supplies	3,000	3,000	4,000	3,000
Intergovernmental	5,000	6,000	9,000	9,000
<b>Total Animal Control</b>	<u>112,000</u>	<u>75,000</u>	<u>90,000</u>	<u>92,000</u>
<b>Correctional Institution</b>				
Personal Services	332,000	283,000	266,000	275,000
Fringe Benefits	164,000	93,000	98,000	105,000
Contractual Services	69,000	17,000	10,000	25,000
Materials and Supplies	26,000	23,000	36,000	50,000
<b>Total Correctional Institution</b>	<u>591,000</u>	<u>416,000</u>	<u>410,000</u>	<u>455,000</u>
<b>School Guards</b>				
Personal Services	83,000	71,000	63,000	65,000
Fringe Benefits	11,000	11,000	12,000	12,000
Materials and Supplies	0	0	0	1,000
<b>Total School Guards</b>	<u>94,000</u>	<u>82,000</u>	<u>75,000</u>	<u>78,000</u>
<b>Total Security of Persons and Property</b>	<u>13,458,000</u>	<u>12,538,000</u>	<u>12,132,000</u>	<u>1,666,000</u>
<b>Community Environment</b>				
<b>Building Standards and Maintenance</b>				
Personal Services	420,000	364,000	391,000	410,000
Fringe Benefits	183,000	143,000	166,000	176,000
Contractual Services	28,000	18,000	24,000	20,000
Materials and Supplies	2,000	1,000	1,000	3,000
Intergovernmental	37,000	44,000	60,000	60,000
<b>Total Building Standards and Maintenance</b>	<u>670,000</u>	<u>570,000</u>	<u>642,000</u>	<u>669,000</u>
<b>Planning and Zoning</b>				
Personal Services	11,000	11,000	11,000	12,000
Fringe Benefits	2,000	2,000	2,000	2,000
<b>Total Planning and Zoning</b>	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>14,000</u>
<b>Total Community Environment</b>	<u>683,000</u>	<u>583,000</u>	<u>655,000</u>	<u>683,000</u>
<b>Public Health and Welfare</b>				
<b>County Health Contract</b>				
Contractual Services	<u>\$114,000</u>	<u>\$114,000</u>	<u>\$111,000</u>	<u>\$111,000</u>

<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$55,000	\$55,000	\$55,000	\$55,000
23,000	24,000	25,000	26,000
3,000	3,000	3,000	3,000
3,000	3,000	3,000	3,000
9,000	9,000	9,000	9,000
<u>93,000</u>	<u>94,000</u>	<u>95,000</u>	<u>96,000</u>
275,000	275,000	275,000	275,000
109,000	113,000	117,000	122,000
25,000	25,000	25,000	25,000
50,000	50,000	50,000	50,000
<u>459,000</u>	<u>463,000</u>	<u>467,000</u>	<u>472,000</u>
65,000	65,000	65,000	65,000
12,000	12,000	12,000	12,000
1,000	1,000	1,000	1,000
<u>78,000</u>	<u>78,000</u>	<u>78,000</u>	<u>78,000</u>
<u>1,495,000</u>	<u>1,512,000</u>	<u>1,530,000</u>	<u>1,550,000</u>
410,000	410,000	410,000	410,000
183,000	192,000	200,000	210,000
20,000	20,000	20,000	20,000
3,000	3,000	3,000	3,000
60,000	60,000	60,000	60,000
<u>676,000</u>	<u>685,000</u>	<u>693,000</u>	<u>703,000</u>
12,000	12,000	12,000	12,000
2,000	2,000	2,000	2,000
<u>14,000</u>	<u>14,000</u>	<u>14,000</u>	<u>14,000</u>
<u>690,000</u>	<u>699,000</u>	<u>707,000</u>	<u>717,000</u>
<u>\$111,000</u>	<u>\$111,000</u>	<u>\$111,000</u>	<u>\$111,000</u>

(continued)

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
*General Fund (continued)*

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
Basic Utility Services				
Sewer Operating				
Personal Services	\$33,000	\$0	\$0	\$0
Fringe Benefits	14,000	0	0	0
Materials and Supplies	1,000	0	0	0
Intergovernmental	32,000	37,000	0	0
Total Sewer Operating	80,000	37,000	0	0
Solid Waste Disposal				
Contractual Services	1,802,000	1,810,000	1,884,000	1,663,000
Total Basic Utility Services	1,882,000	1,847,000	1,884,000	1,663,000
Transportation				
Service Department Administration				
Personal Services	111,000	115,000	111,000	118,000
Fringe Benefits	53,000	46,000	52,000	54,000
Intergovernmental	29,000	34,000	34,000	34,000
Total Transportation	193,000	195,000	197,000	206,000
Debt Service:				
Principal Retirement	720,000	759,000	789,000	812,000
Interest and Fiscal Charges	130,000	104,000	73,000	41,000
Total Debt Service	850,000	863,000	862,000	853,000
Total Expenditures	23,821,000	21,904,000	20,932,000	9,991,000
Excess of Revenue Over (Under) Expenditures	(9,239,000)	(6,420,000)	(3,874,000)	6,371,000
<b>Other Financing Sources (Uses)</b>				
Transfers In	9,342,000	6,984,000	6,999,000	42,000
Transfers Out	(290,000)	(314,000)	(405,000)	(5,750,000)
Total Other Financing Sources (Uses)	9,052,000	6,670,000	6,594,000	(5,708,000)
Changes in Fund Balance	(187,000)	250,000	2,720,000	663,000
Fund Balance (Deficit) Beginning of Year	(1,477,000)	(1,664,000)	(1,414,000)	1,306,000
Fund Balance (Deficit) End of Year	(\$1,664,000)	(\$1,414,000)	\$1,306,000	\$1,969,000



<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$0	\$0	\$0	\$0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0
<u>1,494,000</u>	<u>1,538,000</u>	<u>1,585,000</u>	<u>1,649,000</u>
<u>1,494,000</u>	<u>1,538,000</u>	<u>1,585,000</u>	<u>1,649,000</u>
118,000	118,000	118,000	118,000
57,000	60,000	62,000	66,000
<u>34,000</u>	<u>34,000</u>	<u>34,000</u>	<u>34,000</u>
<u>209,000</u>	<u>212,000</u>	<u>214,000</u>	<u>218,000</u>
420,000	0	0	0
<u>8,000</u>		<u>0</u>	<u>0</u>
<u>428,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>9,197,000</u>	<u>8,781,000</u>	<u>8,864,000</u>	<u>9,040,000</u>
<u>5,832,000</u>	<u>6,013,000</u>	<u>6,086,000</u>	<u>5,968,000</u>
20,000	20,000	20,000	20,000
<u>(5,756,000)</u>	<u>(5,857,000)</u>	<u>(6,003,000)</u>	<u>(6,098,000)</u>
<u>(5,736,000)</u>	<u>(5,837,000)</u>	<u>(5,983,000)</u>	<u>(6,078,000)</u>
96,000	176,000	103,000	(110,000)
<u>1,969,000</u>	<u>2,065,000</u>	<u>2,241,000</u>	<u>2,344,000</u>
<u>\$2,065,000</u>	<u>\$2,241,000</u>	<u>\$2,344,000</u>	<u>\$2,234,000</u>

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
*Average Pay Fund*

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
<b>Revenues</b>				
Property Taxes	\$8,056,000	\$6,021,000	\$5,945,000	\$5,069,000
Intergovernmental	1,273,000	1,014,000	971,000	859,000
<b>Total Revenues</b>	<u>9,329,000</u>	<u>7,035,000</u>	<u>6,916,000</u>	<u>5,928,000</u>
<b>Expenditures</b>				
Current:				
General Government				
Miscellaneous				
Intergovernmental	91,000	70,000	69,000	75,000
Security of Persons and Property				
General Law Enforcement				
Personal Services	0	0	0	3,850,000
Fringe Benefits	0	0	0	1,205,000
Contractual Services	0	0	0	125,000
Materials and Supplies	0	0	0	23,000
Intergovernmental	0	0	0	241,000
<b>Total General Law Enforcement</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,444,000</u>
Fire Prevention				
Personal Services	0	0	0	3,186,000
Fringe Benefits	0	0	0	849,000
Contractual Services	0	0	0	50,000
Materials and Supplies	0	0	0	36,000
Intergovernmental	0	0	0	103,000
Capital Outlay	0	0	0	100,000
<b>Total Fire Prevention</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,324,000</u>
<b>Total Security of Persons and Property</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,768,000</u>
<b>Total Expenditures</b>	<u>91,000</u>	<u>70,000</u>	<u>69,000</u>	<u>9,843,000</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	<u>9,238,000</u>	<u>6,965,000</u>	<u>6,847,000</u>	<u>(3,915,000)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	0	3,915,000
Transfers Out	(9,238,000)	(6,965,000)	(6,847,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(9,238,000)</u>	<u>(6,965,000)</u>	<u>(6,847,000)</u>	<u>3,915,000</u>
<i>Changes in Fund Balance</i>	0	0	0	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$5,069,000	\$5,145,000	\$5,222,000	\$5,300,000
859,000	872,000	885,000	899,000
<u>5,928,000</u>	<u>6,017,000</u>	<u>6,107,000</u>	<u>6,199,000</u>
<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>
3,869,000	3,926,000	3,984,000	4,042,000
1,261,000	1,335,000	1,414,000	1,500,000
125,000	125,000	125,000	125,000
23,000	23,000	23,000	23,000
240,000	240,000	240,000	241,000
<u>5,518,000</u>	<u>5,649,000</u>	<u>5,786,000</u>	<u>5,931,000</u>
3,182,000	3,230,000	3,277,000	3,326,000
900,000	958,000	1,022,000	1,091,000
50,000	50,000	50,000	50,000
36,000	36,000	36,000	36,000
103,000	103,000	103,000	103,000
0	0	0	0
<u>4,271,000</u>	<u>4,377,000</u>	<u>4,488,000</u>	<u>4,606,000</u>
<u>9,789,000</u>	<u>10,026,000</u>	<u>10,274,000</u>	<u>10,537,000</u>
<u>9,864,000</u>	<u>10,101,000</u>	<u>10,349,000</u>	<u>10,612,000</u>
<u>(3,936,000)</u>	<u>(4,084,000)</u>	<u>(4,242,000)</u>	<u>(4,413,000)</u>
3,936,000	4,084,000	4,242,000	4,413,000
0	0	0	0
<u>3,936,000</u>	<u>4,084,000</u>	<u>4,242,000</u>	<u>4,413,000</u>
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
*Street Construction, Maintenance and Repair Fund*

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
<b>Revenues</b>				
Municipal Income Tax	\$534,000	\$560,000	\$585,000	\$647,000
Intergovernmental	948,000	917,000	901,000	910,000
Fees, Licenses and Permits	1,000	1,000	1,000	0
Other	56,000	124,000	127,000	75,000
<b>Total Revenues</b>	<u>1,539,000</u>	<u>1,602,000</u>	<u>1,614,000</u>	<u>1,632,000</u>
<b>Expenditures</b>				
Current:				
Transportation				
Street Cleaning				
Materials and Supplies	175,000	180,000	160,000	175,000
Intergovernmental	111,000	111,000	103,000	103,000
<b>Total Street Cleaning</b>	<u>286,000</u>	<u>291,000</u>	<u>263,000</u>	<u>278,000</u>
Traffic Control				
Personal Services	60,000	87,000	94,000	100,000
Fringe Benefits	48,000	24,000	40,000	43,000
Contractual Services	73,000	37,000	71,000	45,000
Materials and Supplies	2,000	0	4,000	6,000
Intergovernmental	4,000	14,000	9,000	8,000
<b>Total Traffic Control</b>	<u>187,000</u>	<u>162,000</u>	<u>218,000</u>	<u>202,000</u>
Street Construction				
Personal Services	545,000	446,000	469,000	500,000
Fringe Benefits	455,000	410,000	387,000	206,000
Materials and Supplies	65,000	111,000	70,000	100,000
Intergovernmental	51,000	78,000	95,000	94,000
<b>Total Street Construction</b>	<u>1,116,000</u>	<u>1,045,000</u>	<u>1,021,000</u>	<u>900,000</u>
<b>Total Expenditures</b>	<u>1,589,000</u>	<u>1,498,000</u>	<u>1,502,000</u>	<u>1,380,000</u>
<i>Excess of Revenue Over (Under) Expenditures</i>	(50,000)	104,000	112,000	252,000
<b>Other Financing Uses</b>				
Transfers Out	0	0	0	(300,000)
<b>Changes in Fund Balance</b>	(50,000)	104,000	112,000	(48,000)
<b>Fund Balance Beginning of Year</b>	<u>57,000</u>	<u>7,000</u>	<u>111,000</u>	<u>223,000</u>
<b>Fund Balance End of Year</b>	<u>\$7,000</u>	<u>\$111,000</u>	<u>\$223,000</u>	<u>\$175,000</u>

2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$611,000	\$623,000	\$636,000	\$648,000
910,000	910,000	910,000	910,000
0	0	0	0
75,000	75,000	75,000	75,000
<u>1,596,000</u>	<u>1,608,000</u>	<u>1,621,000</u>	<u>1,633,000</u>
175,000	175,000	175,000	175,000
103,000	103,000	103,000	103,000
<u>278,000</u>	<u>278,000</u>	<u>278,000</u>	<u>278,000</u>
98,000	98,000	98,000	98,000
44,000	46,000	48,000	50,000
45,000	45,000	45,000	45,000
2,000	2,000	2,000	2,000
9,000	9,000	9,000	9,000
<u>198,000</u>	<u>200,000</u>	<u>202,000</u>	<u>204,000</u>
495,000	495,000	495,000	495,000
213,000	223,000	233,000	244,000
100,000	100,000	100,000	100,000
95,000	95,000	95,000	95,000
<u>903,000</u>	<u>913,000</u>	<u>923,000</u>	<u>934,000</u>
<u>1,379,000</u>	<u>1,391,000</u>	<u>1,403,000</u>	<u>1,416,000</u>
217,000	217,000	218,000	217,000
<u>(300,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(150,000)</u>
<u>(83,000)</u>	<u>(33,000)</u>	<u>(32,000)</u>	<u>67,000</u>
<u>175,000</u>	<u>92,000</u>	<u>59,000</u>	<u>27,000</u>
<u>\$92,000</u>	<u>\$59,000</u>	<u>\$27,000</u>	<u>\$94,000</u>

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
*Federal Nutrition Fund*

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
<b>Revenues</b>				
Intergovernmental	\$8,000	\$26,000	\$14,000	\$20,000
Charges for Services	17,000	14,000	15,000	14,000
Other	18,000	13,000	9,000	13,000
<b>Total Revenues</b>	<u>43,000</u>	<u>53,000</u>	<u>38,000</u>	<u>47,000</u>
<b>Expenditures</b>				
Current:				
Community Environment				
Federal Nutrition				
Personal Services	207,000	189,000	171,000	183,000
Fringe Benefits	101,000	71,000	57,000	60,000
Contractual Services	24,000	18,000	7,000	20,000
Materials and Supplies	1,000	8,000	9,000	9,000
Intergovernmental	0	0	52,000	52,000
<b>Total Expenditures</b>	<u>333,000</u>	<u>286,000</u>	<u>296,000</u>	<u>324,000</u>
<i>Excess of Revenues Under Expenditures</i>	(290,000)	(233,000)	(258,000)	(277,000)
<b>Other Financing Sources</b>				
Transfers In	<u>290,000</u>	<u>234,000</u>	<u>260,000</u>	<u>277,000</u>
<i>Changes in Fund Balance</i>	0	1,000	2,000	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>1,000</u>	<u>3,000</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$1,000</u>	<u>\$3,000</u>	<u>\$3,000</u>

2014 Forecasted	2015 Forecasted	2016 Forecasted	2017 Forecasted
\$20,000	\$20,000	\$20,000	\$20,000
14,000	14,000	14,000	14,000
13,000	13,000	13,000	13,000
47,000	47,000	47,000	47,000
183,000	183,000	183,000	183,000
62,000	64,000	66,000	69,000
20,000	20,000	20,000	20,000
9,000	10,000	10,000	10,000
52,000	52,000	52,000	52,000
326,000	329,000	331,000	334,000
(279,000)	(282,000)	(284,000)	(287,000)
279,000	282,000	284,000	287,000
0	0	0	0
3,000	3,000	3,000	3,000
\$3,000	\$3,000	\$3,000	\$3,000

**City of Garfield Heights - Cuyahoga County**  
*Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis*  
*For the Years Ended December 31, 2010, Through 2012, Actual*  
*and Ending December 31, 2013, Through 2017, Forecasted*  
*Revolving Equipment Fund*

	2010 Actual	2011 Actual	2012 Actual	2013 Forecasted
<b>Revenues</b>				
Charges for Services	\$776,000	\$891,000	\$869,000	\$869,000
Other	46,000	29,000	8,000	30,000
<b>Total Revenues</b>	<b>822,000</b>	<b>920,000</b>	<b>877,000</b>	<b>899,000</b>
<b>Expenditures</b>				
Current:				
General Government				
Revolving Equipment				
Personal Services	193,000	168,000	146,000	165,000
Fringe Benefits	80,000	72,000	63,000	69,000
Contractual Services	191,000	211,000	153,000	218,000
Materials and Supplies	377,000	453,000	430,000	429,000
<b>Total Expenditures</b>	<b>841,000</b>	<b>904,000</b>	<b>792,000</b>	<b>881,000</b>
<i>Changes in Fund Balance</i>	(19,000)	16,000	85,000	18,000
<i>Fund Balance Beginning of Year</i>	25,000	6,000	22,000	107,000
<i>Fund Balance End of Year</i>	<b>\$6,000</b>	<b>\$22,000</b>	<b>\$107,000</b>	<b>\$125,000</b>



<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>
\$869,000	\$869,000	\$869,000	\$869,000
24,000	24,000	25,000	25,000
<u>893,000</u>	<u>893,000</u>	<u>894,000</u>	<u>894,000</u>
165,000	165,000	165,000	165,000
72,000	75,000	78,000	82,000
218,000	218,000	219,000	218,000
429,000	429,000	429,000	429,000
<u>884,000</u>	<u>887,000</u>	<u>891,000</u>	<u>894,000</u>
9,000	6,000	3,000	0
<u>125,000</u>	<u>134,000</u>	<u>140,000</u>	<u>143,000</u>
<u>\$134,000</u>	<u>\$140,000</u>	<u>\$143,000</u>	<u>\$143,000</u>

**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Years Ending December 31, 2013, through 2017*

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**Note 1 - The City**

The City of Garfield Heights (the City) is located in Northeast Ohio in Cuyahoga County and is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on November 6, 1956. The City is governed under the mayor-council form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative and executive purposes and performs the judicial functions of the City. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also executes all contracts, conveyances and evidences of indebtedness of the City. The Mayor appoints the law director, finance director and service director with approval from Council.

Legislative authority is vested in a seven member council elected from wards. Council members are elected to two year terms. The seven Council members elect one of their own to act as the President of Council and the President Pro-Tem. Council enacts ordinances and resolutions relating to tax levies and appropriates and borrows money.

The Board of Control approves all bids and is made up of four Council members (the president of Council and the Finance Committee) and four administrators (the mayor, law director, finance director and service director).

On October 14, 2008, the Auditor of State's office declared the City of Garfield Heights to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three financial consultants whose residency or principal place of business is within the City, and a designee from both the State Treasurer's Office and the Office of Budget and Management. The City has 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the City must be in accordance with the plan.

The City of Garfield Heights provides general government services including police and fire protection, emergency medical services, municipal court, parks, recreation, planning, zoning, street maintenance and repairs.

**Note 2 - Nature of Presentation**

This financial forecast presents, to the best of the City's knowledge and belief, the expected revenues, expenditures, expenses, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the City's judgment, as of August 19, 2013, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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

General Fund – The General Fund is the operating fund of the City and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Garfield Heights and/or the general laws of Ohio.

**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Years Ending December 31, 2013, through 2017*

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Average Pay Fund – This fund accounts for and reports property taxes restricted for the payment of police and fire salaries, based upon average annual salaries paid to police and fire in suburban areas with a population of 25,000 or more, whose boundaries are contiguous to the City of Cleveland.

Street Construction, Maintenance and Repair Fund – This fund accounts for and reports its portion of municipal income taxes collections and the portion of gasoline tax and motor vehicle registration fees restricted for maintenance and repair of dedicated streets within the City.

Federal Nutrition Fund – This fund accounts for and reports Federal grants restricted for the purpose of promoting the health and well-being of older individuals and delay adverse health conditions through access to nutrition and other disease prevention and health promotion services

Revolving Equipment Fund – This fund accounts for and reports rental charges from various City departments restricted for the operation, replacement, maintenance, and repair of City-owned equipment.

**Note 3 - Summary of Significant Accounting Policies**

**A. Basis of Accounting**

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

**B. Fund Accounting**

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

**Governmental Funds**

General Fund - The General Fund is the operating fund of the City and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Garfield Heights and/or the general laws of Ohio.

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

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

**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Years Ending December 31, 2013, through 2017*

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the City, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

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

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

**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Years Ending December 31, 2013, through 2017*

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**D. Property, Plant and Equipment**

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

**Note 4 - General Revenue Assumptions - All Funds**

**A. Property Taxes**

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

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

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2012 for taxes collected in 2013. The next triennial update will take place in 2015 for taxes collected in 2016 with the next reappraisal scheduled for 2018. The City’s assessed values upon which property tax receipts were based for the last four years are as follows:

<u>Class of Property</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Real Property				
Residential and Agriculture	\$351,468,420	\$349,540,580	\$346,573,490	\$269,313,750
Other Real Estate	104,617,140	107,245,480	98,711,680	96,978,770
Public Utility				
Tangible Personal Property	<u>8,993,020</u>	<u>9,202,610</u>	<u>9,533,100</u>	<u>10,420,510</u>
Total Assessed Value	<u>\$465,078,580</u>	<u>\$465,988,670</u>	<u>\$454,818,270</u>	<u>\$376,713,030</u>

The property tax revenues are generated from inside and charter millage and receipted into the General Fund, Average Pay Fund, Recreation Fund, Street Lights Fund, Fire Pension Fund, Police Pension Fund, Bond Retirement Fund, and Permanent Improvements Fund.

**City of Garfield Heights – Cuyahoga County**  
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For the Years Ending December 31, 2013, through 2017

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

Fund	Tax Levies	Year Approved/ Renewed	First Calendar Year of Collection	Last Calendar Year of Collection	Full Tax Rate (Per \$1,000 of Assessed Valuation)
General Fund	Inside Ten Mill Limitation (Unvoted)	1976	n/a	n/a	\$1.76
Permanent Improvements	Inside Ten Mill Limitation (Unvoted)	1976	n/a	n/a	1.00
Police Pension Fund	Inside Ten Mill Limitation (Unvoted)	1976	n/a	n/a	0.30
Fire Pension Fund	Inside Ten Mill Limitation (Unvoted)	1976	n/a	n/a	0.30
Bond Retirement	Inside Ten Mill Limitation (Unvoted)	1976	n/a	n/a	3.64
Recreation Fund	Inside Ten Mill Limitation (Unvoted)	1976	n/a	n/a	0.15
Street Lighting Fund	Inside Ten Mill Limitation (Unvoted)	1976	n/a	n/a	1.15
Average Pay Fund	Charter (1972)	1972	1972		16.00
Total Tax Rate					\$24.30

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

Real Property - Real property taxes are forecasted to decrease in 2013 due to decreases in real property assessed values, based on the estimates from the County Fiscal Officer.

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

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

**B. Municipal Income Taxes**

The City levies a municipal income tax of two percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City

**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Years Ending December 31, 2013, through 2017*

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ordinance, income tax proceeds are credited to the following funds: 75 percent to the general fund, 6 percent to the street construction maintenance and repair and recreation special revenue funds, 7 percent to the bond retirement debt service fund and 6 percent to the storm and sanitary sewer capital projects fund.

In 2012 and 2013, the City received delinquent payment on net profits income taxes from a utility company in the amounts of \$600,000 and \$827,000, respectively. These will not reoccur in 2014. Based upon historical trends and currently known information, the Regional Income Tax Agency (RITA) confirmed an annual two percent increase in income tax revenues throughout the forecasted years.

C. Intergovernmental Revenues

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

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

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

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

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

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

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

**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Years Ending December 31, 2013, through 2017*

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In 2013, the City will receive \$556,000 in local government monies for 2013, \$325,000 in 2014, and \$630,000 in 2015 through 2017. The decreases are due to the reductions in the State budget for local government funding.

Due to the reduction of local government monies in HB 153, the local government receipts to the City in 2013 and 2014 will not provide sufficient monies for the debt payments of the local government notes in the amount of \$357,000 and \$164,000, respectively. Pursuant to Ohio Revised Code, Section 118.22, the notes are backed by the State, and the State will provide the shortfall amount needed for 2013 and 2014. These additional funds will be reported in intergovernmental revenues.

**Note 5 - Specific Fund Revenue Assumptions**

**A. General Fund**

Fees, Licenses and Permits - Licenses and permits receipts represent garbage/refuse collection fees, building permits and inspections, electrical permits and inspections, general contractor license fees, as well as cable franchise fees. Amounts collected for the various permits, inspections and fees remain approximately the same annually. Cable franchise fees are 3 percent of gross receipts collected by the cable provider. Garbage fees are forecasted to decrease by 20 percent in 2013. The City established a garbage collection fee of \$15 per month for single-family dwelling units, \$30 per month for two-family dwelling units, and \$7.50 per month for single family dwelling units with a qualified homestead exemption, and \$15 per month for two-family dwelling units with a qualified homestead exemption. In 2012, the City reduced the fees by 20 percent. Also, beginning in tax year 2013, the City assessed the garbage fees to the residents' property tax bills.

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

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

Other Revenues – Each City employees contributes a monthly amount (\$70 for single, \$140 for family) to help defray health care costs. For the forecast period, this is projected to be \$260,000 per year.

The City receives cable franchise fees. For the forecast period, this revenue is projected to be \$300,000 per year.

Refunds and reimbursements for the forecast period are projected to be \$200,000 for years 2013 through 2017.

**B. Average Pay Fund**

Transfers In – The general fund transfers monies to this fund to help pay for expenses of the police and fire departments. It is anticipated that these transfers will be \$3,915,000 in 2013, \$3,936,000 in 2014, \$4,084,000 in 2015, \$4,242,000 in 2016 and \$4,413,000 in 2017.

**C. Street Construction, Maintenance and Repair Fund**

Intergovernmental - Intergovernmental receipts consist of the gasoline tax and motor vehicle registration fees from the County and State. This is forecasted at \$910,000 for years 2013 through 2017.



**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
*For the Years Ending December 31, 2013, through 2017*

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**D. Federal Nutrition Fund**

Intergovernmental – The City receives grant monies for their Congregate and Home Bound Meals programs. These revenues are forecasted at \$20,000 during the forecast years.

Charges for Services – The City receives monies from the residents for their Meals on Wheels and 3B programs. These revenues are projected to be \$14,000 during the forecast years, based on the amount received in 2012.

Other Revenues – Refunds and reimbursements for the forecast period are projected to be \$13,000 for years 2013 through 2017, based on the amount received in 2012.

Transfers In – The City expects to receive transfers in from the general fund in the forecast period of \$277,000 in 2013, \$279,000, in 2014, \$282,000 in 2015, \$284,000 in 2016 and \$287,000 in 2017.

**E. Revolving Fund**

Charges for Services – The City charges other City departments for operation, replacement, maintenance, and repair of City-owned equipment. These revenues will remain at \$869,000 for 2013 through 2017, based on the actual 2012 revenues.

**Note 6 - Expenditure Assumptions - All Funds**

**A. Personal Services**

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

The City has labor agreements with the Fraternal Order of Police Lodge 67, International Association of Fire Fighters, Local 340, Fraternal Order of Police, Labor Council and American Federation of State, County and Municipal Employees (AFSCME), Local 8. All labor agreements expire December 31, 2014, with the exception of the Fraternal Order of Police, Labor Council and AFSCME 8, which expires December 31, 2015. All bargaining unit employees are paid longevity based on years of service.

The City Council consists of seven members with an annual salary of \$15,000. City Council is paid from the General Fund.

The Mayor's annual salary is \$85,000 and gets reimbursed for some travel expenses. The Mayor is paid from the General Fund.

The City Finance Director's annual salary is \$74,000 and is paid from the General Fund.

The Law Director's annual salary is \$73,000 and is paid from the General Fund.

No increases are expected for the elected and administrative officials within the forecast period.

The salaries and wages for some AFSCME employees, dispatchers, and dispatchers received a two percent increase in 2013.

**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
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Depending on the fiscal condition of the City, all employees may receive a two percent increase in 2014. As of the date of this forecast, the City has determined that no increases will be given in years 2014 through 2017. Should the City give the two percent increase in 2014, it will cost the City \$209,000. This amount is not included in the forecast.

When the City was declared into fiscal emergency, employees gave up certain concessions, with the understanding that once the City was out of fiscal emergency, they would be returned. Some of these concessions include:

- Reduction of uniform allowance amounts;
- Reduction of vacation buy-back hours;
- Elimination of perfect attendance bonuses;
- Reduction of holiday pay bonus days; and
- Reduction of Leads bonus

The estimated costs of the concessions were \$258,000 annually. These costs are included in forecast years 2013 through 2017.

Historically, police and fire salaries were paid from the general fund, and supplemented by a transfer from the average pay fund. Beginning in 2013, these salaries will be paid from the average pay fund, and the general fund will provide a transfer to help fund the costs. An increase of 1.5 percent is built into the forecast for police and fire for the forecast years 2013 through 2017.

**B. Fringe Benefits**

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

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

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

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

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

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic hospital/medical/surgical plans with deductibles of \$200 per person and \$400 per family, with maximum out of pocket expenses, not including the deductibles, of \$800 per individual or family coverage.

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Medical Mutual of Ohio reviews all claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of \$160,000 per employee. The benefit is paid by the fund that pays the salary for the employee and is based on historical cost information.

**C. Contractual Services**

Contractual services include property and liability insurance, utility charges (telephone, internet, electricity, natural gas, and garbage), postage, advertising, legal fees, auditor and treasurer fees, and accounting and auditing services. In 2013, the City changed companies for their rubbish collection and disposal contract, with a potential savings of approximately \$400,000 per year beginning in 2014, with a three percent increase in years 2015 and 2016, and a four percent increase in 2017. Audits will be performed annually and will be paid from the general fund.

As a result of these savings, contractual services are projected to show decreases in years 2013 through 2016, and will increase slightly in 2017.

**D. Supplies and Materials**

Supplies and materials expenditures include office supplies, operating supplies (chemicals, salt, and gasoline), and repair and maintenance costs. Supplies and materials are anticipated to remain consistent at \$1,019,000 for years 2013 through 2017.

**E. Capital Outlay**

In 2013, the City is expected to purchase heavy-duty fire gear and upgrades to the police and fire radio systems out of the general fund. The fire gear will be 90 percent funded by a fire grant. There are no additional capital outlay expenditures for the remaining forecast period.

**F. Debt Service**

On October 29, 2009, the City issued \$3,600,000 in local government borrowing notes to eliminate deficit fund balances. These notes were issued at a discount of \$100,000. The notes were issued at a 4 percent interest rate and matures on October 15, 2014. The notes are paid from the general fund with local government monies.

Principal and interest requirements to retire the local government note at December 31, 2012 are as follows:

	<u>Principal</u>	<u>Interest</u>
2013	\$812,000	\$42,000
2014	420,000	8,000
Totals	<u>\$1,232,000</u>	<u>\$50,000</u>

**City of Garfield Heights – Cuyahoga County**  
*Summary of Significant Accounting Policies and Forecast Assumptions*  
For the Years Ending December 31, 2013, through 2017

**Note 7 – Transfers**

The City expects to transfer the following amounts from the General Fund during the forecast period:

Transfer to:	Year				
	2013	2014	2015	2016	2017
Average Pay	\$3,915,000	\$3,936,000	\$4,084,000	\$4,242,000	\$4,413,000
Federal Nutrition	277,000	279,000	282,000	284,000	287,000
Police Pension	766,000	661,000	672,000	683,000	695,000
Fire Pension	791,000	670,000	681,000	694,000	703,000
Indigent Drivers	1,000	0	0	0	0
Bond Retirement	0	210,000	138,000	100,000	0
<b>Total</b>	<b>\$5,750,000</b>	<b>\$5,756,000</b>	<b>\$5,857,000</b>	<b>\$6,003,000</b>	<b>\$6,098,000</b>

The transfers to the average pay special revenue fund is to fund the City’s police and fire operations. The transfers to the federal nutrition, police pension, fire pension and indigent drivers special revenue funds are to provide additional resources for their current operations. The transfer to the bond retirement debt service fund is for debt payments.

The City expects to transfer the following amounts from the Street Construction, Maintenance and Repair Fund to the Bond Retirement Fund for debt payments during the forecast period:

Year	Amount
2013	\$300,000
2014	300,000
2015	250,000
2016	250,000
2017	150,000

**Note 8 - Other Funds**

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

**Note 9 - Contingencies**

**A. Litigation**

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

**B. Grants**

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



# Dave Yost • Auditor of State

**CITY OF GARFIELD HEIGHTS**

**CUYAHOGA 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  
SEPTEMBER 19, 2013**