



Mary Taylor, CPA
Auditor of State

**CITY OF GIRARD
TRUMBULL COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

City of Girard
Trumbull County
100 West Main Street
Girard, Ohio 44420

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Auditor of State served during the year ended December 31, 2006, as the City's financial supervisor under Ohio Revised Code §118.05(G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the City because the Auditor of State may assume broad management powers, duties, and functions under Ohio Revised Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §118.05(G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinions.

We were unable to obtain the necessary assurances regarding the accuracy, completeness, and existence of the water and sewer billing revenue reported in the business-type activities, and the Water Fund and Sewer Fund for the year ended December 31, 2006.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 17 to the financial statements, the City has been declared to be in fiscal emergency under criteria established by Ohio Revised Code Chapter 118. This condition raises substantial doubt about the City's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, except for the effects of such adjustments, if any as might have been necessary had we been able to examine certain information regarding water and sewer revenue reported with the business-type activities and the Water Fund and Sewer Fund as described in paragraph three above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the Water and Sewer Funds of the City of Girard, Trumbull County, Ohio, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General Fund and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2006, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 3 to the basic financial statements, the City's governmental and business-type activities' capital assets were overstated as of December 31, 2005. Net assets at January 1, 2006 have been restated accordingly.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

August 11, 2009

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The discussion and analysis of the City of Girard's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2006. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Financial highlights for 2006 are as follows:

- In total net assets increased by \$1,009,402. Net assets of governmental activities increased \$577,562, which represents a 1.71 percent increase from 2005. Net assets of business-type activities increased \$431,840, which represents a 4.56 percent increase from 2005.
- All revenues totaled \$14,434,782. General revenues accounted for \$6,120,387 or 42.40 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$8,314,395 or 57.60 percent of all revenues.
- Total assets of governmental activities increased by \$173,795, or .42 percent from 2005. Total assets of business-type activities decreased by \$116,372.
- The City had \$9,437,020 in expenses related to governmental activities; only \$3,894,195 of these expenses was offset by program specific charges for services and grants and contributions. Governmental activities general revenues equaled \$6,120,387 in 2006, of which \$1,043,511 were property tax monies, \$4,270,857 were income tax monies and the remaining \$806,019 was generated from grants and entitlements, interest and miscellaneous revenues.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the readers can understand the City of Girard as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's financial and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

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Reporting on the City of Girard as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question.

These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth and other factors.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

Governmental Activities – Most of the City's programs and services are reported here including general government, security of persons and property, public health and welfare, transportation, community development, basic utility services and leisure time activities. These services are funded primarily by taxes and intergovernmental revenues including Federal and State grants and other shared revenues.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided.

Reporting on the Most Significant Funds of the City of Girard

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objective. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's only major governmental fund is the general fund.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

City of Girard
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Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's major enterprise funds are the Water and Sewer funds.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service funds report on City department's self insurance programs for vision, dental, prescription drug and hospital/medical benefits.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds are private purpose trust and agency funds.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The City of Girard as a Whole

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2006 as they compare to 2005.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	\$5,881,302	\$4,133,499	\$1,685,406	\$1,675,903	\$7,566,708	\$5,809,402
Capital Assets, Net	36,090,716	37,664,724	11,550,581	11,676,456	47,641,297	49,341,180
<i>Total Assets</i>	<u>\$41,972,018</u>	<u>\$41,798,223</u>	<u>\$13,235,987</u>	<u>\$13,352,359</u>	<u>\$55,208,005</u>	<u>\$55,150,582</u>

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Liabilities						
Current Liabilities	\$1,739,887	\$1,763,214	\$393,174	\$344,259	\$2,133,061	\$2,107,473
Long-term Liabilities						
Due within one Year	351,965	325,032	648,946	592,854	1,000,911	917,886
Due in More than one Year	5,538,552	5,945,925	2,290,750	2,943,969	7,829,302	8,889,894
<i>Total Liabilities</i>	<u>7,630,404</u>	<u>8,034,171</u>	<u>3,332,870</u>	<u>3,881,082</u>	<u>10,963,274</u>	<u>11,915,253</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	31,019,631	32,320,607	8,725,005	8,290,048	39,744,636	40,610,655
Restricted for:						
Capital Projects	642,813	278,392	0	0	642,813	278,392
Debt Service	400,527	219,777	0	0	400,527	219,777
State Highway Maintenance	51,021	379,874	0	0	51,021	379,874
Street Resurfacing and Traffic Lights	112,347	44,610	0	0	112,347	44,610
Garbage Collection	245,793	250,698	0	0	245,793	250,698
Other Purposes	1,366,780	724,205	0	0	1,366,780	724,205
Unrestricted (Deficit)	502,702	(454,111)	1,178,112	1,181,229	1,680,814	727,118
<i>Total Net Assets</i>	<u>\$34,341,614</u>	<u>\$33,764,052</u>	<u>\$9,903,117</u>	<u>\$9,471,277</u>	<u>\$44,244,731</u>	<u>\$43,235,329</u>

The total net assets of the City, including both governmental and business-type activities, are \$44,244,731, which was an increase of \$1,009,402 from last year. 89.83 percent of the City's net assets are investments in capital assets, such as machinery and equipment, buildings, infrastructure, and vehicles. Debt issued to acquire assets in the governmental-type activities are paid for from income tax and licensing fees. Long-term liabilities for the City were reduced by \$977,567 during 2006. In the business-type activities, user fees are the primary revenue source for the repayment of debt.

The increase in net assets was a result of many factors, including increases in cash equivalents, income taxes receivable, accounts receivable, and intergovernmental receivable. The deficit position in governmental activities unrestricted net assets was eliminated. This was the result of several factors including but not limited to:

- The City reducing general fund expenses by utilizing the fire levy for fire department expenses.
- The City realizing an increase of income tax collections by utilizing the Regional Income Tax Authority.

City of Girard
Management's Discussion and Analysis
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Table 2 shows the changes in net assets for 2006.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Program Revenues						
Charges for Services and Sales	\$1,981,733	\$1,959,916	\$4,420,200	\$3,848,982	\$6,401,933	\$5,808,898
Operating Grants and Contributions	1,396,002	1,140,049	0	0	1,396,002	1,140,049
Capital Grants and Contributions	516,460	30,154	0	532,813	516,460	562,967
<i>Total Program Revenues</i>	<u>3,894,195</u>	<u>3,130,119</u>	<u>4,420,200</u>	<u>4,381,795</u>	<u>8,314,395</u>	<u>7,511,914</u>
General Revenues						
Property Taxes	1,043,511	1,028,452	0	0	1,043,511	1,028,452
Municipal Income Tax	4,270,857	3,706,911	0	0	4,270,857	3,706,911
Grants and Entitlements not Restricted to Specific Programs	654,271	504,815	0	0	654,271	504,815
Capital Contributions	0	176,666	0	0	0	176,666
Interest	44,710	194,875	0	0	44,710	194,875
Miscellaneous	107,038	420,821	0	0	107,038	420,821
<i>Total General Revenues</i>	<u>6,120,387</u>	<u>6,032,540</u>	<u>0</u>	<u>0</u>	<u>6,120,387</u>	<u>6,032,540</u>
<i>Total Revenues</i>	<u>10,014,582</u>	<u>9,162,659</u>	<u>4,420,200</u>	<u>4,381,795</u>	<u>14,434,782</u>	<u>13,544,454</u>
Program Expenses						
General Government	2,315,332	2,563,581	0	0	2,315,332	2,563,581
Security of Persons and Property	2,944,100	2,841,873	0	0	2,944,100	2,841,873
Public Health Services	697,587	259,667	0	0	697,587	259,667
Transportation	1,857,313	1,824,400	0	0	1,857,313	1,824,400
Community Development	766,929	921,338	0	0	766,929	921,338
Basic Utility Services	548,156	437,035	0	0	548,156	437,035
Leisure Time Activities	55,720	36,566	0	0	55,720	36,566
Interest and Fiscal Charges	251,883	267,778	0	0	251,883	267,778
Water	0	0	2,347,600	2,731,654	2,347,600	2,731,654
Sewer	0	0	1,640,760	1,778,024	1,640,760	1,778,024
<i>Total Program Expenses</i>	<u>9,437,020</u>	<u>9,152,238</u>	<u>3,988,360</u>	<u>4,509,678</u>	<u>13,425,380</u>	<u>13,661,916</u>
<i>Change in Net Assets</i>	577,562	10,421	431,840	(127,883)	1,009,402	(117,462)
Net Assets Beginning of the Year	33,764,052	33,753,631	9,471,277	9,599,160	43,235,329	43,352,791
Net Assets End of the Year	<u>\$34,341,614</u>	<u>\$33,764,052</u>	<u>\$9,903,117</u>	<u>\$9,471,277</u>	<u>\$44,244,731</u>	<u>\$43,235,329</u>

City of Girard
Management's Discussion and Analysis
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Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The income tax rate is 2.0 percent and generated \$4,270,857 in revenue for 2006, accounting for approximately 42.65 percent of governmental activities revenue. The revenue collected from the income tax, less funds necessary to pay the administrative fees for RITA and to cover refunds, were receipted into the following funds: 85.35 percent went to the general fund, 1.0 percent went into the recreation fund and 13.65 percent went into the general obligation bond retirement fund. Unrestricted State shared revenues and local government funds for 2006 amounted to \$654,271 and represented approximately 6.5 percent of governmental activities revenue.

Charges for services increased \$21,817 in the governmental activities due to the City implementing the rental inspection program. This program requires rental inspections and annual permits for all rental property in the City.

The increase in governmental activities operating grants and contributions of \$255,953 was due to the City receiving additional grant monies through the Community Development Block Grant and Community Housing Program Grant.

The increase in governmental activities capital grants and contributions of \$486,306 was due to the City receiving additional grant monies through the Federal Emergency Management Agency.

Property taxes increased \$15,059 due to revaluation of property values by the County.

Actual income tax collections for 2006 were 15.21 percent higher than 2005. This increase is a direct result of the City utilizing the Regional Income Tax Authority (RITA) for income tax collections.

Local government funding has remained stagnant for the past several years and anticipated to be reduced in the future. This is also a direct result of the poor economic conditions and their subsequent effect on the State as a whole.

31.20 percent of governmental activities expenses are allocated to the police and fire departments. The police department employs fifteen officers and three full-time dispatchers. The fire department employs thirteen full-time positions. The City of Girard passed a property tax levy to help support its fire department, this allowed for moving certain expenses from the general fund.

The Girard Municipal Court is accounted for within the City of Girard's books. Approximately 7 percent of the governmental activities expenses can be attributed to the operation of the court. In 2006 the City and the Court entered into litigation over what constitutes "reasonable funding" for the court operations. The City was successful, and now has a template to measure budget requests by the Court to determine if they are reasonable.

The City's transportation department accounted for 19.68 percent of the expenses in the governmental activities.

City of Girard
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Business – Type Activities

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated revenues of \$2,481,988 from water and \$1,938,212 from the sewer plant facility. Water and sewer expenses for 2006 amounted to \$2,347,600 and \$1,640,760, respectively. For 2006, 6,900 water customers and 4,800 sewer customers were serviced. Approximately 45,000,000 gallons are billed and processed on a monthly basis.

The City's Funds

Information about the City's governmental funds begins on page 16. The funds are accounted for using the modified accrual method of accounting. The general fund concluded the year with a deficit fund balance of \$174,101. The 3-mill fire levy continues to generate approximately \$388,000 annually. The City remains in fiscal emergency status, but has made tremendous strides in reducing its negative fund balances. A recovery plan to remove the City from fiscal emergency is currently being updated.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$4,420,200 and total operating expenses of \$3,774,462. If expenses were to exceed revenue and dramatically affect net assets, the City has the power to increase revenue through rate increases and would do so.

General Fund Budgeting Highlights

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2006, final estimated revenues for the general fund were \$4,903,918, and actual revenues received were \$5,093,210 or \$189,292 greater than final estimated revenues. City Council's final appropriations were \$4,581,170, which exceeded actual expenditures by \$161,540.

The original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year. During the course of 2006, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation, were \$36,090,716, which was a \$1,574,008 decrease from the prior year. The main reason for this decrease was an additional year of accumulated depreciation being taken.

Total capital assets for the business type activities, net of accumulated depreciation, were \$11,550,581 or a decrease from the prior year of \$125,875. This decrease was also the result of an additional year of accumulated depreciation being taken. The City made purchases of equipment and vehicles in 2006. See Note 10 to the basic financial statements for additional information on capital assets.

City of Girard
Management's Discussion and Analysis
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(Table 3)
 Capital Assets at December 31
 (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	7,369,059	7,457,258	6,737,696	6,880,451	14,106,755	14,337,709
Furniture and Equipment	399,230	518,331	105,317	57,484	504,547	575,815
Vehicles	206,646	223,597	148,538	160,897	355,184	384,494
Infrastructure						
Streets	21,069,181	22,120,290	0	0	21,069,181	22,120,290
Sidewalks	5,157,504	5,415,379	0	0	5,157,504	5,415,379
Curbs	815,456	856,229	0	0	815,456	856,229
Water and Sewer Lines	0	0	371,861	390,455	371,861	390,455
Total Capital Assets	\$36,090,716	\$37,664,724	\$11,550,581	\$11,676,456	\$47,641,297	\$49,341,180

Long-term Obligations

The City had \$8,830,213 in outstanding long-term obligations at the end of the year. The long-term obligations include commercial loans, OPWC and OWDA loans, police and fire pensions and compensated absences.

(Table 4)
 Outstanding Long-term Obligations at Year End

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Loans Payable	\$4,963,650	\$5,228,087	\$0	\$0	\$4,963,650	\$5,228,087
OPWC Loans	107,435	116,030	0	0	107,435	116,030
OWDA Loans	0	0	2,825,576	3,386,408	2,825,576	3,386,408
Police and Fire Pension	281,950	286,979	0	0	281,950	286,979
Compensated Absences	537,482	639,861	114,120	150,415	651,602	790,276
Total	\$5,890,517	\$6,270,957	\$2,939,696	\$3,536,823	\$8,830,213	\$9,807,780

The Loans payable are commercial loans that the City of Girard secured to finance the Justice Center and the beautification of the downtown area of State Route 422. The Justice Center loan was initially issued for \$4,000,000 and the Route 422 loan was initially issued for \$2,500,000. Both of these loans are secured by and paid from the City's income tax collections.

The OPWC loans are being paid with monies from the capital improvements capital projects fund.

OWDA loans are being paid from sewer and water revenues. The major sewer loan was for the Waste Water treatment facility upgrade and will be paid in full in 2007. The major loan repayment from the water fund is for the purchase of the Girard – Liberty Lakes. This instrument will be paid in full in 2015.

City of Girard
Management's Discussion and Analysis
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The City pays installments on the police and fire pension liability incurred when the State of Ohio established the Statewide pension system for police and firemen in 1967. The liability is paid semi-annually from the police and fire pension special revenue funds.

The decrease in compensated absences was the result of a lower balance of sick and vacation time earned by the City's full-time employees.

The City of Girard's overall legal debt margin was \$23,044,639 on December 31, 2006. For more information about the City's long-term obligations, see Note 12 to the basic financial statements.

Current Financial Issues

The City of Girard was placed in fiscal emergency in 2001. The City continues to maintain overall services that were offered prior to the placement into fiscal emergency, although there has been some reduction. The City continues to strive to reduce the negative fund deficits that were the cause of the fiscal emergency. As of the end of 2006, \$1,882,393 has been reduced from the original negative fund balances.

In 2002, the City's unions recognized the serious financial situation that exists and agreed to a three-year wage freeze. These current contracts run through 2006. Contract negotiations are currently ongoing and have yet to be settled.

Contacting the City of Girard's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Auditor Samuel Zirafi at the City of Girard, 100 West Main Street, Girard, Ohio 44420, (330) 545-6843.

Basic Financial Statements

City of Girard, Ohio*Statement of Net Assets**December 31, 2006*

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,658,201	\$987,115	\$2,645,316
Accrued Interest Receivable	794	0	794
Accounts Receivable	76,828	707,585	784,413
Internal Balances	27,648	(27,648)	0
Intergovernmental Receivable	1,340,473	0	1,340,473
Property Taxes Receivable	1,165,210	0	1,165,210
Income Taxes Receivable	1,564,848	0	1,564,848
Special Assessments Receivable	8,991	604	9,595
Prepaid Items	38,309	17,750	56,059
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	35,017,076	7,363,412	42,380,488
<i>Total Assets</i>	<u>41,972,018</u>	<u>13,235,987</u>	<u>55,208,005</u>
Liabilities			
Accounts Payable	24,891	107,268	132,159
Accrued Wages	117,382	31,784	149,166
Intergovernmental Payable	367,228	157,819	525,047
Matured Compensated Absences Payable	51,713	0	51,713
Accrued Interest Payable	995	96,303	97,298
Claims Payable	139,238	0	139,238
Deferred Revenue	1,038,440	0	1,038,440
Long-Term Liabilities:			
Due Within One Year	351,965	648,946	1,000,911
Due In More Than One Year	5,538,552	2,290,750	7,829,302
<i>Total Liabilities</i>	<u>7,630,404</u>	<u>3,332,870</u>	<u>10,963,274</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	31,019,631	8,725,005	39,744,636
Restricted for:			
Capital Projects	642,813	0	642,813
Debt Service	400,527	0	400,527
State Highway Maintenance	51,021	0	51,021
Street Resurfacing and Traffic Lights	112,347	0	112,347
Garbage Collection	245,793	0	245,793
Other Purposes	1,366,780	0	1,366,780
Unrestricted	502,702	1,178,112	1,680,814
<i>Total Net Assets</i>	<u>\$34,341,614</u>	<u>\$9,903,117</u>	<u>\$44,244,731</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2006

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,315,332	\$509,522	\$4,950	\$216,021
Security of Persons and Property	2,944,100	623,183	0	0
Public Health Services	697,587	619,037	35,388	0
Transportation	1,857,313	0	889,481	0
Community Development	766,929	214,998	465,814	0
Basic Utility Services	548,156	0	0	300,439
Leisure Time Activities	55,720	14,993	369	0
Interest and Fiscal Charges	251,883	0	0	0
<i>Total Governmental Activities</i>	<u>9,437,020</u>	<u>1,981,733</u>	<u>1,396,002</u>	<u>516,460</u>
Business-Type Activities:				
Water	2,347,600	2,481,988	0	0
Sewer	1,640,760	1,938,212	0	0
<i>Total Business-Type Activities</i>	<u>3,988,360</u>	<u>4,420,200</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$13,425,380</u>	<u>\$6,401,933</u>	<u>\$1,396,002</u>	<u>\$516,460</u>

General Revenues

Property Taxes Levied for:

General Purposes

Garbage

Fire

Police

Cemetery

Income Taxes Levied for:

General Purposes

Debt Service

Special Revenue

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - Restated (See Note 3)

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,584,839)	\$0	(\$1,584,839)
(2,320,917)	0	(2,320,917)
(43,162)	0	(43,162)
(967,832)	0	(967,832)
(86,117)	0	(86,117)
(247,717)	0	(247,717)
(40,358)	0	(40,358)
(251,883)	0	(251,883)
<u>(5,542,825)</u>	<u>0</u>	<u>(5,542,825)</u>
0	134,388	134,388
0	297,452	297,452
<u>0</u>	<u>431,840</u>	<u>431,840</u>
<u>(5,542,825)</u>	<u>431,840</u>	<u>(5,110,985)</u>
292,217	0	292,217
301,663	0	301,663
386,054	0	386,054
38,234	0	38,234
25,343	0	25,343
3,638,296	0	3,638,296
548,909	0	548,909
83,652	0	83,652
654,271	0	654,271
44,710	0	44,710
107,038	0	107,038
<u>6,120,387</u>	<u>0</u>	<u>6,120,387</u>
577,562	431,840	1,009,402
<u>33,764,052</u>	<u>9,471,277</u>	<u>43,235,329</u>
<u>\$34,341,614</u>	<u>\$9,903,117</u>	<u>\$44,244,731</u>

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2006

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and			
Cash Equivalents	\$0	\$1,658,201	\$1,658,201
Receivables:			
Property Taxes	326,057	839,153	1,165,210
Income Taxes	1,335,598	229,250	1,564,848
Accounts	22,492	54,336	76,828
Intergovernmental	276,806	1,063,667	1,340,473
Special Assessments	334	8,657	8,991
Accrued Interest	794	0	794
Interfund Receivable	0	224,067	224,067
Prepaid Items	35,412	2,897	38,309
<i>Total Assets</i>	<u>\$1,997,493</u>	<u>\$4,080,228</u>	<u>\$6,077,721</u>
Liabilities			
Accounts Payable	\$7,176	\$17,715	\$24,891
Accrued Wages	103,429	13,953	117,382
Intergovernmental Payable	201,729	165,499	367,228
Interfund Payable	224,067	0	224,067
Deferred Revenue	1,589,138	2,036,786	3,625,924
Matured Compensated Absences Payable	46,055	5,658	51,713
<i>Total Liabilities</i>	<u>2,171,594</u>	<u>2,239,611</u>	<u>4,411,205</u>
Fund Balances			
Reserved for Encumbrances	488	96	584
Unreserved, Undesignated, Reported in:			
General Fund (Deficit)	(174,589)	0	(174,589)
Special Revenue Funds	0	971,447	971,447
Debt Service Fund	0	226,261	226,261
Capital Projects Funds	0	642,813	642,813
<i>Total Fund Balances (Deficit)</i>	<u>(174,101)</u>	<u>1,840,617</u>	<u>1,666,516</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,997,493</u>	<u>\$4,080,228</u>	<u>\$6,077,721</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2006*

Total Governmental Fund Balances	\$1,666,516
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,090,716
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	126,770	
Income Taxes	1,297,007	
Intergovernmental	1,154,716	
Special Assessments	8,991	

Total	2,587,484
-------	-----------

Internal service funds are used by management to charge the cost of insurance and materials and supplies to individual funds. The assets and liabilities of the internal service funds are included as part of governmental activities in the statement of net assets.

Net Assets	(139,238)	
Internal Balances	27,648	

Total	(111,590)
-------	-----------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(995)
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(537,482)	
Loans Payable	(4,963,650)	
OPWC Loans Payable	(107,435)	
Police and Fire Pension Loan	(281,950)	

Total	(5,890,517)
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<i>Net Assets of Governmental Activities</i>	<u>\$34,341,614</u>
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See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$292,394	\$752,047	\$1,044,441
Municipal Income Taxes	3,100,355	506,545	3,606,900
Special Assessments	0	8,657	8,657
Charges for Services	365,223	74,949	440,172
Fees, Licenses and Permits	69,012	620,444	689,456
Fines and Forfeitures	645,810	206,295	852,105
Intergovernmental	560,644	1,864,612	2,425,256
Interest	43,247	1,463	44,710
Contributions and Donations	0	1,394	1,394
Other	82,897	24,141	107,038
<i>Total Revenues</i>	<u>5,159,582</u>	<u>4,060,547</u>	<u>9,220,129</u>
Expenditures			
Current:			
General Government	1,783,724	66,764	1,850,488
Security of Persons and Property	2,493,045	414,853	2,907,898
Public Health Services	31,216	701,366	732,582
Transportation	15,897	799,047	814,944
Community Development	2,100	452,019	454,119
Basic Utility Services	0	339,315	339,315
Leisure Time Activities	0	43,726	43,726
Capital Outlay	0	509,012	509,012
Debt Service:			
Principal Retirement	0	278,061	278,061
Interest and Fiscal Charges	0	251,904	251,904
<i>Total Expenditures</i>	<u>4,325,982</u>	<u>3,856,067</u>	<u>8,182,049</u>
<i>Excess of Revenues Over Expenditures</i>	<u>833,600</u>	<u>204,480</u>	<u>1,038,080</u>
Other Financing Sources (Uses)			
Transfers In	0	460,596	460,596
Transfers Out	(460,596)	0	(460,596)
<i>Total Other Financing Sources (Uses)</i>	<u>(460,596)</u>	<u>460,596</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	373,004	665,076	1,038,080
<i>Fund Balances (Deficit)</i>			
<i>Beginning of Year</i>	<u>(547,105)</u>	<u>1,175,541</u>	<u>628,436</u>
<i>Fund Balances (Deficit)</i>			
<i>End of Year</i>	<u>(\$174,101)</u>	<u>\$1,840,617</u>	<u>\$1,666,516</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2006*

Net Change in Fund Balances - Total Governmental Funds \$1,038,080

*Amounts reported for governmental activities in the statement of activities are
different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	44,896
Depreciation	<u>(1,617,550)</u>

Total	(1,572,654)
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Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities of activities, a gain or loss is reported for each disposal. (1,354)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(930)
Income Taxes	663,957
Intergovernmental	135,510
Special Assessments	<u>(4,084)</u>

Total	794,453
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Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 278,061

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 21

Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 102,379

The internal service funds used by management are not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenue are eliminated. The net revenue (expense) of the internal service funds is allocated among the governmental activities.

Change in Net Assets	(76,493)
Internal Balances	<u>15,069</u>

Total	<u>(61,424)</u>
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Change in Net Assets of Governmental Activities \$577,562

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$252,795	\$297,070	\$292,394	(\$4,676)
Municipal Income Taxes	2,500,858	3,003,905	3,063,570	59,665
Charges for Services	315,760	303,138	365,223	62,085
Fees, Licenses and Permits	57,288	87,000	66,262	(20,738)
Fines and Forfeitures	585,319	694,020	677,006	(17,014)
Intergovernmental	449,078	447,925	519,424	71,499
Interest	37,462	30,890	43,330	12,440
Other	57,062	39,970	66,001	26,031
<i>Total Revenues</i>	<u>4,255,622</u>	<u>4,903,918</u>	<u>5,093,210</u>	<u>189,292</u>
Expenditures				
Current:				
General Government	2,560,387	1,876,154	1,809,641	66,513
Security of Persons and Property	2,324,130	2,652,965	2,559,779	93,186
Public Health Services	30,456	34,771	33,541	1,230
Transportation	13,229	15,103	14,569	534
Community Development	1,907	2,177	2,100	77
<i>Total Expenditures</i>	<u>4,930,109</u>	<u>4,581,170</u>	<u>4,419,630</u>	<u>161,540</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(674,487)	322,748	673,580	350,832
Other Financing Uses				
Transfers Out	<u>0</u>	<u>0</u>	<u>(460,596)</u>	<u>(460,596)</u>
<i>Net Change in Fund Balance</i>	(674,487)	322,748	212,984	(109,764)
<i>Fund Deficit Beginning of Year</i>	(445,254)	(445,254)	(445,254)	0
Prior Year Encumbrances Appropriated	<u>3,003</u>	<u>3,003</u>	<u>3,003</u>	<u>0</u>
<i>Fund Deficit End of Year</i>	<u><u>(\$1,116,738)</u></u>	<u><u>(\$119,503)</u></u>	<u><u>(\$229,267)</u></u>	<u><u>(\$109,764)</u></u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2006

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$269,443	\$717,672	\$987,115	\$0
Accounts Receivable	395,437	312,148	707,585	0
Special Assessments Receivable	0	604	604	0
Prepaid Items	5,250	12,500	17,750	0
<i>Total Current Assets</i>	<u>670,130</u>	<u>1,042,924</u>	<u>1,713,054</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	2,096,048	5,267,364	7,363,412	0
<i>Total Noncurrent Assets</i>	<u>3,783,217</u>	<u>7,767,364</u>	<u>11,550,581</u>	<u>0</u>
<i>Total Assets</i>	<u>4,453,347</u>	<u>8,810,288</u>	<u>13,263,635</u>	<u>0</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	102,229	5,039	107,268	0
Accrued Wages	14,746	17,038	31,784	0
Intergovernmental Payable	51,443	106,376	157,819	0
Accrued Interest Payable	68,727	27,576	96,303	0
Compensated Absences Payable	32,181	11,762	43,943	0
OWDA Loans Payable	164,490	440,513	605,003	0
Claims Payable	0	0	0	139,238
<i>Total Current Liabilities</i>	<u>433,816</u>	<u>608,304</u>	<u>1,042,120</u>	<u>139,238</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable (net of current portion)	36,742	33,435	70,177	0
OWDA Loans Payable (net of current portion)	1,892,839	327,734	2,220,573	0
<i>Total Long-Term Liabilities</i>	<u>1,929,581</u>	<u>361,169</u>	<u>2,290,750</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,363,397</u>	<u>969,473</u>	<u>3,332,870</u>	<u>139,238</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,725,888	6,999,117	8,725,005	0
Unrestricted (Deficit)	364,062	841,698	1,205,760	(139,238)
<i>Total Net Assets (Deficit)</i>	<u>\$2,089,950</u>	<u>\$7,840,815</u>	<u>9,930,765</u>	<u>(\$139,238)</u>

Net assets reported for business-type activities in the statement of net assets are different because they include accumulated underpayments to the internal service funds:

(27,648)

Net assets of business-type activities

\$9,903,117

See accompanying notes to the basic financial statements

City of Girard, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$2,481,988	\$1,901,858	\$4,383,846	\$1,214,696
Special Assessments	0	604	604	0
Rentals	0	35,750	35,750	0
<i>Total Operating Revenues</i>	<u>2,481,988</u>	<u>1,938,212</u>	<u>4,420,200</u>	<u>1,214,696</u>
Operating Expenses				
Personal Services	720,041	762,402	1,482,443	0
Materials and Supplies	179,780	215,602	395,382	0
Contractual Services	1,151,847	402,408	1,554,255	97,176
Depreciation	45,770	159,287	205,057	0
Claims	0	0	0	1,194,013
Other	102,086	35,239	137,325	0
<i>Total Operating Expenses</i>	<u>2,199,524</u>	<u>1,574,938</u>	<u>3,774,462</u>	<u>1,291,189</u>
<i>Operating Income (Loss)</i>	282,464	363,274	645,738	(76,493)
Non-Operating Expenses				
Interest and Fiscal Charges	(141,046)	(57,783)	(198,829)	0
<i>Change in Net Assets</i>	141,418	305,491	446,909	(76,493)
<i>Net Assets (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>1,948,532</u>	<u>7,535,324</u>		<u>(62,745)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$2,089,950</u>	<u>\$7,840,815</u>		<u>(\$139,238)</u>

Some amounts reported for business-type activities in the statement of activities are different because a portion of the net loss of the internal service fund increases expenses in the business-type activities.

(15,069)

Change in net assets of business-type activities

\$431,840

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Enterprise			Internal Service
	Water	Sewer	Total	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,292,024	\$1,829,879	\$4,121,903	\$0
Cash Received from Interfund Services Provided	0	0	0	1,214,696
Cash Received from Rentals	0	35,750	35,750	0
Cash Payments to Employees for Services	(625,008)	(822,749)	(1,447,757)	0
Cash Payments for Goods and Services	(1,331,877)	(620,102)	(1,951,979)	(97,176)
Cash Payments for Claims	0	0	0	(1,117,520)
Other Cash Payments	(102,086)	(35,239)	(137,325)	0
<i>Net Cash Provided by Operating Activities</i>	<u>233,053</u>	<u>387,539</u>	<u>620,592</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(15,381)	(63,801)	(79,182)	0
Principal Paid on OWDA Loans	(154,149)	(406,683)	(560,832)	0
Interest Paid on OWDA Loans	(146,209)	(74,686)	(220,895)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(315,739)</u>	<u>(545,170)</u>	<u>(860,909)</u>	<u>0</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(82,686)	(157,631)	(240,317)	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>352,129</u>	<u>875,303</u>	<u>1,227,432</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$269,443</u></u>	<u><u>\$717,672</u></u>	<u><u>\$987,115</u></u>	<u><u>\$0</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	<u>\$282,464</u>	<u>\$363,274</u>	<u>\$645,738</u>	<u>(\$76,493)</u>
Adjustments:				
Depreciation	45,770	159,287	205,057	0
Increase in Assets:				
Accounts Receivable	(189,964)	(71,979)	(261,943)	0
Special Assessments Receivable	0	(604)	(604)	0
Prepaid Items	(250)	(2,092)	(2,342)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	100,423	(6,866)	93,557	0
Accrued Wages	(836)	(1,150)	(1,986)	0
Claims Payable	0	0	0	76,493
Matured Compensated Absences Payable	0	(40,059)	(40,059)	0
Compensated Absences Payable	5,086	(41,381)	(36,295)	0
Intergovernmental Payable	(9,640)	29,109	19,469	0
<i>Total Adjustments</i>	<u>(49,411)</u>	<u>24,265</u>	<u>(25,146)</u>	<u>76,493</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$233,053</u></u>	<u><u>\$387,539</u></u>	<u><u>\$620,592</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2006

	Private Purpose Trust	
	Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,260	\$0
Cash and Cash Equivalents in Segregated Accounts	0	51,358
<i>Total Assets</i>	4,260	\$51,358
Liabilities		
Undistributed Monies	0	\$51,358
Net Assets		
Held in Trust for Endowment	\$4,260	

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended December 31, 2006

	Private Purpose Trust
	Memorial
Additions	
Interest	\$19
Deductions	
Contractual Services	257
<i>Change in Net Assets</i>	(238)
<i>Net Assets Beginning of Year</i>	4,498
<i>Net Assets End of Year</i>	\$4,260

See accompanying notes to the basic financial statements

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Note 1 – Description of the City and Reporting Entity

The City of Girard (the “City”) was incorporated under the laws of the State of Ohio in 1922. The City operates under a Mayor-Council form of government. The Mayor is elected for a four-year term and Council members are elected at large for two year staggered terms.

On August 8, 2001, the Auditor of State’s office declared the City of Girard to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations within the City and two representatives from the State of Ohio. This Commission approved a financial recovery plan which had been adopted by the City. Once the plan has been adopted, the City’s discretion is limited in that all financial activity of the City must be in accordance with the plan. The recovery plan was last revised on April 24, 2006. State law requires that the plan be updated annually. The recovery plan includes savings by being a drug free workplace, actively pursuing reductions in workers’ compensation and researching alternative health insurance providers to determine if the City can get better insurance rates with estimated savings to the general fund of between \$142,000 and \$276,000. The Board and the Commission have not yet taken any action to revise the recovery plan for year 2007 and beyond. See Note 17 for more information on the City’s fiscal emergency status.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Girard, this includes the agencies and departments that provide the following services: police protection, fire fighting and prevention, street maintenance and repair, building inspection, water and wastewater treatment. The operation of each of these activities is directly controlled by City Council through the budgetary process.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

The Girard City School District has been excluded from the reporting entity because the City is not financially accountable for this organization nor does the City approve the budget, the levying of taxes or the issuance of debt for this organization.

The City participates in the Eastgate Development and Transportation Agency and the Emergency Management Agency, both jointly governed organizations. These organizations are presented in Note 16 to the basic financial statements.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Girard have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Pronouncements and Interpretations issued after November 30, 1989 to its business-type activities and to its enterprise funds. The more significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Governmental Funds Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the City's major governmental fund:

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

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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. The following are the City's major enterprise funds:

Water Fund The water fund accounts for revenues generated from the charges for distribution of water to the residential and commercial users located within the City.

Sewer Fund The sewer fund accounts for sewer services to City individuals and commercial users in the City. The costs of providing these services are financed primarily through user charges.

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. The City's internal service fund is a health fund that accounts for vision, dental, prescription drug and hospital/medical claims of the City employees.

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. The City's only trust fund is a private-purpose trust which accounts for the perpetual care and maintenance of specific burial plots in the City's cemetery through an endowment. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for construction deposits.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2006, but which were levied to finance year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City treasury.

During 2006, investments were limited to nonnegotiable certificates of deposit and repurchase agreements, reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2006 amount to \$43,247, which includes \$43,247 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

G. Inventory

Inventories are presented at cost on a first-in, first out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

H. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the governmental-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$500 with the exception of land as land was included regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life or not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15 - 45 years	15 - 45 years
Furniture and Equipment	3 - 10 years	3 - 10 years
Vehicles	5 years	5 years
Water and Sewer Lines	N/A	50 years
Streets, Sidewalks and Curbs	50 years	N/A

For 2006, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

I. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund loans which do not represent available expendable resources are offset by a fund balance reserve account. Interfund balances amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive the compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees after five years of service.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has unpaid leave is paid.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

L. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$2,819,281 of restricted net assets, none of which is restricted by enabling legislation. Net assets restricted for other purposes include resources restricted for health services, elderly bus fare, community block grant and cemetery.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services and rentals for water and sewer services and self insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are primary activity of the fund. Revenues and expenses which do not meet these definitions are reported as non-operating.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

O. Internal Activity

Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

Q. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriation resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level by department for all funds. Budgetary modification may only be made by resolution of the City Council at the legal level of control. Authority to further allocate Council appropriations within the object level has been given to the City Auditor.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Note 3 - Change in Accounting Principles and Restatement of Prior Year Net Assets

A. Changes in Accounting Principles

For 2006, the City has implemented GASB Statement No. 47, "Accounting for Termination Benefits". GASB Statement No. 47 establishes standards of accounting and financial reporting for termination benefits. The implementation of GASB Statement No. 47 did not materially affect the presentation of the financial statements of the City.

B. Restatement of Net Assets

During 2006, it was determined that governmental and business-type activities' capital assets were overstated. This restatement had the following effect on net assets as they were previously reported.

	Governmental Activites
Net Assets, December 31, 2005	\$35,106,125
Capital Assets	(1,342,073)
Adjusted Net Assets, December 31, 2005	\$33,764,052

	Water Enterprise Fund	Sewer Enterprise Fund	Total Enterprise Funds	Internal Service Fund
Net Assets, December 31, 2005	\$1,975,848	\$7,638,379	\$9,614,227	(\$62,745)
Capital Assets	(27,316)	(103,055)	(130,371)	0
Adjusted Net Assets, December 31, 2005	\$1,948,532	\$7,535,324	9,483,856	(\$62,745)
Internal Balance			(12,579)	
Business Type Activities Net Assets, December 31, 2005			\$9,471,277	

Note 4 – Accountability

Fund balances at December 31, 2006, include the following individual fund deficits:

	Deficit Fund Balance
General Fund	\$174,101
<i>Special Revenue Funds:</i>	
Fire Pension Fund	15,059
Police Pension Fund	4,866

The deficit in the general fund was caused by expenditures exceeding revenues and by the recognition of expenditures on the modified accrual basis of accounting. The City is making a concerted effort to reduce expenditures.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

The special revenue funds' deficits are caused by the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

The City was placed in fiscal emergency as a result of deficit spending which resulted in deficit funds contrary to the provisions of Chapter 5705, Revised Code. These violations were cited extensively (repeatedly) in the reports leading up to the declaration of emergency. While in emergency, it is anticipated that these violations will continue until the City regains financial stability. Until that time, only new violations in funds that were not in deficit at the time of the emergency declaration will be cited.

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the general and major special revenue funds are as follows:

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$373,004
Net Adjustment for Revenue Accruals	(66,372)
Net Adjustment for Expenditures Accruals	(88,448)
Encumbrances	<u>(5,200)</u>
Budget Basis	<u><u>\$212,984</u></u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Note 6 - Deposits and Investments

Monies held by the City are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the City treasury. Active deposits must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,051,141 of the City's bank balance of \$1,393,307 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the City had a repurchase agreement with a maturity of one day. This repurchase agreement is secured by Federal Home Loan Bank Bonds.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk The securities backing the repurchase agreement carry a rating of AAA by Standard & Poor's. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk The City places no limit on the amount it may invest in any one issuer. The City has 100 percent invested in repurchase agreements secured by Federal Home Loan Bank Bonds.

Note 7 - Receivables

Receivables at December 31, 2006, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant and collected within one year. All special assessments are expected to be collected within one year and none are delinquent.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) are for 2006 taxes.

2006 real property taxes are levied after October 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes. 2006 tangible personal property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009.

The full tax rate for all City operations for the year ended December 31, 2006, was \$10.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$123,726,640
Public Utility Property	5,178,780
Tangible Personal Property	<u>13,206,181</u>
Total Assessed Values	<u><u>\$142,111,601</u></u>

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Girard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2006 and for which there is an enforceable legal claim. In the general fund, the general obligation bond retirement fund, the road improvement capital projects fund and the police and fire pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2006 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

B. Income Taxes

The City levies a municipal income tax of two percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to the amount owed for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 85.35 percent to the general fund, 1 percent to the recreation special revenue fund and 13.65 percent to the bond retirement debt service fund.

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
CHIS/CHIPS Grant	\$408,681
Community Block Grant	314,800
Gasoline and Municipal Cents per Gallon	238,491
Local Government and Local Government	
Revenue Assistance	155,319
Estate Tax	90,747
Homestead and Rollback	55,382
Permissive Tax	51,034
D.A.R.E. Officer Grant	14,962
Capital Projects Grant	<u>11,057</u>
Total	<u><u>\$1,340,473</u></u>

Note 8 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours of accumulated, unused sick leave.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

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 of the City at December 31, 2006.

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

Governmental Activities	Balance 12/31/2005	Additions	Deductions	Balance 12/31/2006
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<i>Capital Assets being Depreciated:</i>				
Buildings	9,068,756	0	0	9,068,756
Building Improvements	146,183	0	0	146,183
Furniture and Equipment	1,633,087	12,878	0	1,645,965
Vehicles	1,065,702	32,018	(6,770)	1,090,950
Infrastructure:				
Streets	52,555,453	0	0	52,555,453
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
Total Capital Assets being Depreciated	<u>79,401,581</u>	<u>44,896</u>	<u>(6,770)</u>	<u>79,439,707</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,701,806)	(82,443)	0	(1,784,249)
Building Improvements	(55,875)	(5,756)	0	(61,631)
Furniture and Equipment	(1,114,756)	(131,979)	0	(1,246,735)
Vehicles	(842,105)	(47,615)	5,416	(884,304)
Infrastructure:				
Streets	(30,435,163)	(1,051,109)	0	(31,486,272)
Sidewalks	(7,478,381)	(257,875)	0	(7,736,256)
Curbs	(1,182,411)	(40,773)	0	(1,223,184)
Total Accumulated Depreciation	<u>(42,810,497)</u>	<u>(1,617,550) *</u>	<u>5,416</u>	<u>(44,422,631)</u>
Total Capital Assets being Depreciated, Net	<u>36,591,084</u>	<u>(1,572,654)</u>	<u>(1,354)</u>	<u>35,017,076</u>
Governmental Activities Capital Assets, Net	<u>\$37,664,724</u>	<u>(\$1,572,654)</u>	<u>(\$1,354)</u>	<u>\$36,090,716</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

	Balance 12/31/2005	Additions	Deductions	Balance 12/31/2006
Business Type Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$4,187,169	\$0	\$0	\$4,187,169
<i>Capital Assets being Depreciated:</i>				
Buildings	7,028,774	0	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	193,112	69,016	0	262,128
Vehicles	356,905	10,166	0	367,071
Infrastructure	929,653	0	0	929,653
Total Capital Assets being Depreciated	12,048,444	79,182	0	12,127,626
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,707,115)	(63,898)	0	(1,771,013)
Building Improvements	(1,981,208)	(78,857)	0	(2,060,065)
Furniture and Equipment	(135,628)	(21,183)	0	(156,811)
Vehicles	(196,008)	(22,525)	0	(218,533)
Infrastructure	(539,198)	(18,594)	0	(557,792)
Total Accumulated Depreciation	(4,559,157)	(205,057)	0	(4,764,214)
Total Capital Assets being Depreciated, Net	7,489,287	(125,875)	0	7,363,412
Business Type Activities Capital Assets, Net	<u>\$11,676,456</u>	<u>(\$125,875)</u>	<u>\$0</u>	<u>\$11,550,581</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$125,328
Security of Persons and Property	54,074
Public Health Services	4,382
Transportation	1,076,316
Community Development	311,456
Basic Utility Services	34,788
Leisure Time Activities	11,206
Total Depreciation Expense	<u>\$1,617,550</u>

Note 11 - Interfund Transfers and Balances

A. Interfund Transfers

The general fund transferred \$460,596 to the capital improvements capital projects fund to eliminate this fund's deficit.

B. Interfund Balances

The Federal assistance capital projects fund advanced \$224,067 to the general fund to cover the negative cash. The advance will be repaid within one year.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Note 12 - Long-Term Obligations

Original issue amounts and interest rates of the City's debt issues are as follows:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Year of Maturity</u>
Business-Type Activities:			
<i>Ohio Water Development Authority Loans</i>			
OWDA Water and Sewer Loan	5.65%	\$687,526	2017
Water Distribution	6.36	441,086	2017
Lakes Project	6.87	2,513,646	2015
Liberty Water	6.36	47,158	2017
Sewer Plant	8.48	4,267,088	2007
Governmental Activities:			
<i>Loans Payable</i>			
Justice Center	5.41	4,000,000	2019
Street Widening	5.75	2,500,000	2020
Ohio Public Works Commission Loan	0.00	18,571	2019
Police and Fire Pension	4.25	377,328	2035

A schedule of changes in bonds and other long-term obligations of the City during 2006 follows:

	<u>Amount</u>			<u>Amount</u>	<u>Amounts</u>
	<u>Outstanding</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding</u>	<u>Due In</u>
	<u>12/31/2005</u>			<u>12/31/2006</u>	<u>One Year</u>
Business-Type Activities:					
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	\$574,220	\$0	(\$36,644)	\$537,576	\$38,743
Water Distribution	321,081	0	(18,636)	302,445	19,822
Lakes Project	1,659,656	0	(120,860)	1,538,796	129,163
Liberty Water	33,784	0	(2,084)	31,700	2,216
Sewer Plant	797,667	0	(382,608)	415,059	415,059
Total Ohio Water Development Authority Loans	3,386,408	0	(560,832)	2,825,576	605,003
Compensated Absences	150,415	18,148	(54,443)	114,120	43,943
<i>Total Business-Type Activities Obligations</i>	<u>\$3,536,823</u>	<u>\$18,148</u>	<u>(\$615,275)</u>	<u>\$2,939,696</u>	<u>\$648,946</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

	Amount			Amount	Amounts
	Outstanding	Additions	Deletions	Outstanding	Due In
	12/31/2005			12/31/2006	One Year
Governmental Activities Obligations:					
<i>Loans Payable</i>					
Justice Center	\$3,254,352	\$0	(\$170,484)	\$3,083,868	\$178,725
Street Widening	1,973,735	0	(93,953)	1,879,782	98,495
Total Loans Payable	5,228,087	0	(264,437)	4,963,650	277,220
Ohio Public Works Commission Loan	116,030	0	(8,595)	107,435	8,595
Compensated Absences	639,861	51,189	(153,568)	537,482	60,907
Police and Fire Pension	286,979	0	(5,029)	281,950	5,243
<i>Total Governmental Activities Obligations</i>	<u>\$6,270,957</u>	<u>\$51,189</u>	<u>(\$431,629)</u>	<u>\$5,890,517</u>	<u>\$351,965</u>

OWDA loans will be paid from water and sewer enterprise fund user service charges. The justice center and street widening notes are payable monthly from the debt service fund. The OPWC loan payable will be paid with monies from the Capital Improvements capital projects fund. Compensated absences will be paid from the following funds: the general fund, the street construction maintenance and repair, cemetery and recreation special revenue funds and the water and sewer enterprise funds. The City pays installments on the police and fire pension liability incurred when the State of Ohio established the statewide pension system for police and firemen in 1967. The liability is paid semi-annually from the Police Pension and Fire Pension special revenue funds. Payment is made from unvoted property tax revenues.

The City's overall legal debt margin was \$23,044,639 at December 31, 2006. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006, are as follows:

Governmental Activities:

	Long-Term Loans		Police and Fire Pension		OPWC Loan	Totals
	Principal	Interest	Principal	Interest	Principal	
2007	\$277,220	\$230,469	\$5,243	\$11,930	\$8,595	\$533,457
2008	290,620	217,069	5,467	11,706	8,595	533,457
2009	304,669	203,020	5,701	11,472	8,595	533,457
2010	319,397	188,292	5,946	11,227	8,595	533,457
2011	334,835	172,854	6,204	10,969	8,595	533,457
2012-2016	1,933,189	605,316	35,356	52,001	42,975	2,668,837
2017-2021	1,503,720	128,185	43,823	43,860	21,485	1,741,073
2022-2026	0	0	53,545	34,321	0	87,866
2027-2031	0	0	63,445	24,348	0	87,793
2032-2035	0	0	57,220	15,202	0	72,422
Total	<u>\$4,963,650</u>	<u>\$1,745,205</u>	<u>\$281,950</u>	<u>\$227,036</u>	<u>\$107,435</u>	<u>\$7,325,276</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

Business-Type Activities:

	OWDA Loans	
	Principal	Interest
2007	\$605,003	\$191,995
2008	202,438	144,305
2009	215,760	130,983
2010	229,960	116,783
2011	245,102	101,641
2012-2016	1,255,248	243,587
2017	72,065	3,406
Total	\$2,825,576	\$932,700

Note 13 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the City contracted with Love Insurance, Incorporated for various types of insurance as follows:

Type	Coverage
Commercial Liability	\$1,000,000/\$3,000,000
Public Officials	1,000,000/3,000,000
Law Enforcement	1,000,000/3,000,000
Automobile	1,000,000
Automobile Physical Damage	Actual Cash Value
Real and Personal Property	19,101,690
Inland Marine	976,181
Business Electronic Equipment	131,369
Commercial Crime	10,000
Bonds - Employees and Officials	10,000

Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

B. Employee Insurance Benefits

The City has elected to provide vision, dental, prescription drug, and hospital/medical benefits to its employees through a self insured program. The maintenance of these benefits is accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$45,000 per individual and \$1,239,500 for the City as a whole. Incurred but not reported claims of \$139,238 have been accrued as a liability based on a review of January, 2006 billings provided by the City Auditor's Office.

The claims liability of \$139,238 reported in the internal service fund at December 31, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the funds' claims liability amounts for 2005 and 2006 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2005	\$6,713	\$1,181,234	\$1,125,202	\$62,745
2006	62,745	1,194,013	1,117,520	139,238

C. Workers' Compensation

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The City's contribution rate for pension benefits for 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$190,761, \$200,760 and \$207,358 respectively; 96.48 percent has been contributed for 2006 and 100 percent for 2005 and 2004. Contributions to the member-directed plan for 2006 were \$1,400 made by the City and \$2,132 made by the plan members.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 19.5 percent for police officers and 24 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$116,092 and \$139,080 for the year ended December 31, 2006, 115,420 and \$122,070 for the year ended December 31, 2005 and \$98,780 and \$123,796 for the year ended December 31, 2004. The full amount has been contributed for 2005 and 2004. 95.89 percent and 95.83 has been contributed for 2006.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2006, the unfunded liability of the City was \$281,950 payable in semi-annual payments through year 2035. This is an accounting liability of the City which will not vary.

Note 15 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$93,307. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006 and 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2006 that were used to fund postemployment benefits were \$76,571 for police and \$66,330 for firefighters. The OP&F's total health care expense for the year ended December 31, 2005, (the latest information available) was \$108,039,449, which was net of member contributions of \$55,271,881. The number of OP&F participants eligible to receive health care benefits as of December 31, 2005, was 13,922 for police and 10,537 for firefighters.

Note 16 - Jointly Governed Organizations

A. Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is committed to fostering cooperative regional efforts in the planning, programming, and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the members. In 2006, the City contributed \$3,820 to the Eastgate Development and Transportation Agency. For more information contact John R. Getchey, executive director, at 100 Federal Plaza East, Youngstown, Ohio 44503.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2006

B. Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 2006, the City contributed \$2,289 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

Note 17 – Fiscal Emergency

The Auditor of State's office placed the City in fiscal emergency on August 8, 2001 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 a representative of the Office of Budget and Management, a representative of the Treasurer of State, the city mayor, the president of city council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria.

In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The City adopted its initial financial recovery plan on February 25, 2002. This plan was subsequently updated on May 23, 2006.

A city is placed into fiscal emergency when any one of six conditions are present. For the City of Girard, two of the six conditions were present at the date of the Auditor of State's determination. The conditions present in the City included a default on debt obligations and deficit fund balances. Under Section 118.03(A)(1) of the Revised Code, a default on any debt obligation for more than thirty days is a fiscal emergency condition. As of July 31, 2001, the determination date, the City had not made its semi-annual payments on two Ohio Water Development Loans. The loan payments totaled \$342,564. Under Section 118.03(A)(5) of the Revised code, the aggregate sum of all deficit funds at the end of the preceding fiscal year, less any transferable balance in the general fund and in any special revenue fund that exceed one-sixth of the general fund budget and the receipts of the deficit funds is a fiscal emergency condition. As of December 31, 2000, the City had deficit fund balances in the following funds: general fund, recreation fund, COPS fund, sewer rental fund, agency reimbursement fund, and the capital improvement reimbursement fund. The Auditor of State's calculation determined the total unprovided portion of aggregate deficit funds was \$390,510 for the year ended December 31, 2001.

During 2005 and 2006 and continuing into 2007, the City has taken steps to regain financial stability. As of December 31, 2006, all fund deficits that placed the City into fiscal emergency except the general fund have been eliminated. In addition, the City was able to make all required debt payments during 2006. The City is negotiating contracts for 5 to 7 additional gas well drillings within the City limits. Based on prior drillings, this could generate an additional \$125,000 for 2007 and 2008 and \$50,000 annually for 2009 and beyond. Beginning in 2005, the City has deposited interest earned from the Lakes/Dam fund into the general fund and any inheritance tax revenue received will be used to reduce the deficit fund amounts. Accumulated interest for 2005 was \$135,000 and \$5,000 each year thereafter. The City passed a fire levy during 2004 and plans to renew the levy in the future.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Girard
Trumbull County
100 West Main Street
Girard, Ohio 44420

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio (the City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 11, 2009, wherein we noted the City was placed in fiscal emergency by the State of Ohio pursuant to Ohio Revised Code Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B). A fiscal emergency commission was appointed to oversee the financial affairs of the City and, as required by Ohio Revised Code Section 118.05(G), the Auditor of State served as the City's financial supervisor. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the City because the Auditor of State may assume broad management powers, duties, and functions under Ohio Revised Code §118.04. Furthermore, the City restated their net assets at January 1, 2006 for governmental and business-type activities' capital assets.

Also, we noted there was a lack of sufficient competent evidential matter relating to operating revenue reported in the business-type activities, and the Water Fund and Sewer Fund for the year ended December 31, 2006. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2006-001 through 2006-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

We noted certain matters that we reported to the City's management in a separate letter dated August 11, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-002 and 2006-003.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated August 11, 2009.

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

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



Mary Taylor, CPA
Auditor of State

August 11, 2009

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2006-001
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Water and Sewer Billings and Collections - Significant Deficiency/Material Weakness

As a cost savings measure the City administration made the decision to eliminate utility department's meter reader positions in December 2001. As a result the following weaknesses were noted in the utility billing and collection cycle of the City.

- A. The responsibility of reading and reporting usage is the responsibility of the utility customer not a utility department employee.
- B. If the customer fails to report their usage as required, the utility department response was to issue bills that would reflect usage that was significantly higher than a reasonable estimate of use based on prior billings.
- C. The City purchases all water for distribution to their utility customers. A comparison of the gallons of water purchased for sale by the City and the amount of gallons billed to customers should have some reasonable relationship, however, the results of our test for this comparison indicated the gallons billed to customers were significantly greater than the actual gallons purchased for distribution.

As a result of these weaknesses we were unable to obtain reasonable assurance with regards to the accuracy, completeness, and existence of the City's utility departments charges for services and accounts receivable.

We recommend the City establish more reliable procedures which would enable them to accurately bill customers on an ongoing basis. The procedures may include using increased technology such as electronic meter reading technology.

Officials' Response: We agree with the findings and recommendations stated above.

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

Finding Number	2006-002
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Negative Cash Balance – Material Noncompliance/Significant Deficiency

Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purpose for which the fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At various times throughout the fiscal year the City had several funds which had deficit fund balances. At December 31, 2006, the General fund had a negative cash fund balance of (\$255,512).

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

We recommend the City Auditor monitor disbursements to ensure overspending does not occur and to assure monies are being used for the purpose for which the funds were established.

Officials' Response: The City is aware of this noncompliance issue and has taken it into consideration.

Finding Number	2006-003
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Certification of Expenditures – Material Noncompliance/Significant Deficiency

Ohio Revised Code Section 5705.41(D) requires 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 of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)

Finding Number	2006-003-Continued
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Certification of Expenditures – Material Noncompliance/Significant Deficiency-Continued

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal year 2006, fifty-three percent of the transactions tested were not certified as to the availability of funds by the City Auditor prior to incurring the obligations. The City should have used “Then and Now Certificates” for these expenditures as permitted by Ohio Rev. Code Section 5705.41(D)(1). However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and help reduce the possibility of the City’s funds exceeding budgetary spending limitations, we recommend the City Auditor certify that the funds are or will be available prior to obligation by the City. When prior certification is not possible, “then and now” certification should be used.

We recommend the City certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The City Auditor should sign the certification at the time the City incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

Officials’ Response: The City Auditor is making an effort to insure that “then and now” certificates are handled according to ORC 5705.41 (D).

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

Finding Number	2006-004
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Non-payroll Controls - Significant Deficiency

The City has several control procedures in place regarding the processing of non-payroll disbursements. However, during our testing of these disbursements, it was noted that the City was not properly following the procedures it had in place.

We noted in 13 of 60 transactions we tested purchase orders were not completed and signed by the Auditor or could not be located in the Auditor's office; 7 of 60 instances in which purchase requisitions were not completed; 16 of 60 instances in which the invoice or purchase order was not marked in some way to approve receipt of goods/services and the Auditor's office could not find 1 of 60 check cancelled checks. Control failures of this magnitude could result in duplicate payments and possibly illegal purchases.

We recommend that the City implement policies and procedures in order to ensure that the controls that are in place for non-payroll disbursement processing are being executed properly. In addition, we recommend that the City take the necessary precautions and develop policies to ensure that all disbursements are properly filed and accounted for.

Officials' Response: We agree with the findings and recommendations stated above.

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected ?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	ORC 5705.10 – Negative Fund Balances.	No	Not Corrected. Repeated as Finding Number 2006-002.
2005-002	ORC 5705.41 (D) – Certification of Expenditures.	No	Not Corrected. Repeated as Finding Number 2006-003.



Mary Taylor, CPA
Auditor of State

CITY OF GIRARD
TRUMBULL COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 5, 2009