



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, 2007, 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, 2007, 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, 2007.

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, 2007, 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, Street Construction and Maintenance Repair, Garbage, and Fire Levy Funds, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2007, and the respective changes in financial position, thereof and the budgetary comparison for the General, Street Construction and Maintenance Repair, Garbage, and Fire Levy Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Federal Awards Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

August 11, 2009

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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, 2007. 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 2007 are as follows:

- In total net assets decreased by \$1,421,750. Net assets of governmental activities decreased \$1,488,482, which represents a 4.33 percent decrease from 2006. Net assets of business-type activities increased \$66,732, which represents a 0.67 percent increase from 2006.
- All revenues totaled \$13,809,344. General revenues accounted for \$5,439,894 or 39.39 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$8,369,450 or 60.61 percent of all revenues.
- Total assets of governmental activities decreased by \$1,930,515, or 4.60 percent from 2006. Total assets of business-type activities decreased by \$695,970.
- The City had \$10,398,045 in expenses related to governmental activities; only \$3,469,669 of these expenses was offset by program specific charges for services and grants and contributions. Governmental activities general revenues equaled \$5,439,894 in 2007, of which \$1,058,797 was property tax monies, \$3,429,592 was income tax monies and the remaining \$951,505 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 2007?" 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 services, 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 major governmental funds are the general fund and the street construction, maintenance and repair, the garbage and the fire levy special revenue funds.

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.

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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 fund reports 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 2007 as they compare to 2006.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and Other Assets	\$5,522,118	\$5,881,302	\$1,142,602	\$1,685,406	\$6,664,720	\$7,566,708
Capital Assets, Net	34,519,385	36,090,716	11,397,415	11,550,581	45,916,800	47,641,297
<i>Total Assets</i>	<u>\$40,041,503</u>	<u>\$41,972,018</u>	<u>\$12,540,017</u>	<u>\$13,235,987</u>	<u>\$52,581,520</u>	<u>\$55,208,005</u>

City of Girard
Management's Discussion and Analysis
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(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Liabilities						
Current Liabilities	\$1,586,658	\$1,739,887	\$226,404	\$393,174	\$1,813,062	\$2,133,061
Long-term Liabilities						
Due within one Year	368,738	351,965	234,767	648,946	603,505	1,000,911
Due in More than one Year	5,232,975	5,538,552	2,108,997	2,290,750	7,341,972	7,829,302
<i>Total Liabilities</i>	<u>7,188,371</u>	<u>7,630,404</u>	<u>2,570,168</u>	<u>3,332,870</u>	<u>9,758,539</u>	<u>10,963,274</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	29,734,115	31,019,631	9,176,842	8,725,005	38,910,957	39,744,636
Restricted for:						
Capital Projects	697,271	642,813	0	0	697,271	642,813
Debt Service	320,140	400,527	0	0	320,140	400,527
State Highway Maintenance	25,595	51,021	0	0	25,595	51,021
Street Resurfacing and Traffic Lights	62,813	112,347	0	0	62,813	112,347
Garbage Collection	187,188	245,793	0	0	187,188	245,793
Other Purposes	930,533	1,366,780	0	0	930,533	1,366,780
Unrestricted (Deficit)	895,477	502,702	793,007	1,178,112	1,688,484	1,680,814
<i>Total Net Assets</i>	<u>\$32,853,132</u>	<u>\$34,341,614</u>	<u>\$9,969,849</u>	<u>\$9,903,117</u>	<u>\$42,822,981</u>	<u>\$44,244,731</u>

The total net assets of the City, including both governmental and business-type activities, are \$42,822,981, which was a decrease of \$1,421,750 from last year. 90.86 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 \$884,736 during 2007. In the business-type activities, user fees are the primary revenue source for the repayment of debt.

The decrease in net assets was a result of many factors, primarily reductions in income taxes receivable, charges for services, capital grants and all other grants and entitlements. The deficit change in net assets was partially offset by an increase in business-type activity charges for services.

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Table 2 shows the changes in net assets for 2007.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services and Sales	\$1,557,674	\$1,981,733	\$4,899,781	\$4,420,200	\$6,457,455	\$6,401,933
Operating Grants and Contributions	1,559,513	1,396,002	0	0	1,559,513	1,396,002
Capital Grants and Contributions	352,482	516,460	0	0	352,482	516,460
<i>Total Program Revenues</i>	<u>3,469,669</u>	<u>3,894,195</u>	<u>4,899,781</u>	<u>4,420,200</u>	<u>8,369,450</u>	<u>8,314,395</u>
General Revenues						
Property Taxes	1,058,797	1,043,511	0	0	1,058,797	1,043,511
Municipal Income Tax	3,429,592	4,270,857	0	0	3,429,592	4,270,857
Grants and Entitlements not Restricted to Specific Programs	467,177	654,271	0	0	467,177	654,271
Interest	72,401	44,710	0	0	72,401	44,710
Miscellaneous	411,927	107,038	0	0	411,927	107,038
<i>Total General Revenues</i>	<u>5,439,894</u>	<u>6,120,387</u>	<u>0</u>	<u>0</u>	<u>5,439,894</u>	<u>6,120,387</u>
<i>Total Revenues</i>	<u>8,909,563</u>	<u>10,014,582</u>	<u>4,899,781</u>	<u>4,420,200</u>	<u>13,809,344</u>	<u>14,434,782</u>
Program Expenses						
General Government	2,387,664	2,315,332	0	0	2,387,664	2,315,332
Security of Persons and Property	3,067,289	2,944,100	0	0	3,067,289	2,944,100
Public Health Services	630,108	697,587	0	0	630,108	697,587
Transportation	2,218,389	1,857,313	0	0	2,218,389	1,857,313
Community Development	1,313,444	766,929	0	0	1,313,444	766,929
Basic Utility Services	479,762	548,156	0	0	479,762	548,156
Leisure Time Activities	58,911	55,720	0	0	58,911	55,720
Interest and Fiscal Charges	242,478	251,883	0	0	242,478	251,883
Water	0	0	2,975,253	2,347,600	2,975,253	2,347,600
Sewer	0	0	1,857,796	1,640,760	1,857,796	1,640,760
<i>Total Program Expenses</i>	<u>10,398,045</u>	<u>9,437,020</u>	<u>4,833,049</u>	<u>3,988,360</u>	<u>15,231,094</u>	<u>13,425,380</u>
<i>Change in Net Assets</i>	(1,488,482)	577,562	66,732	431,840	(1,421,750)	1,009,402
Net Assets Beginning of the Year	34,341,614	33,764,052	9,903,117	9,471,277	44,244,731	43,235,329
Net Assets End of the Year	<u>\$32,853,132</u>	<u>\$34,341,614</u>	<u>\$9,969,849</u>	<u>\$9,903,117</u>	<u>\$42,822,981</u>	<u>\$44,244,731</u>

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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 \$3,429,592 in revenue for 2007, accounting for approximately 38.49 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: 84.6 percent went to the general fund, 1.0 percent went into the recreation fund, 14.4 percent (January-May) and 12.0 percent (June-December), went into the general obligation bond retirement fund, and 2.4 percent (June-December) went into the capital improvement safety fund. Unrestricted State shared revenues and local government funds for 2007 amounted to \$467,177 and represented approximately 5.24 percent of governmental activities revenue.

Charges for services decreased \$424,059 in the governmental activities primarily as a result of the City eliminating the use of the automatic traffic camera enforcement and reduced tipping fees from the landfill.

The increase in governmental activities operating grants and contributions of \$163,511 was due to the City receiving additional grant monies through the Community Development Block Grant and Community Housing Program Grant.

The decrease in governmental activities capital grants and contributions of \$163,978 was a result of the grant received from the Federal Emergency Management Agency being completed.

Property taxes increased \$15,286 due to revaluation of property values by the County.

Actual income tax collections for 2007 were 19.70 percent lower than 2006. This decrease is a direct result of the poor economic conditions currently being experienced.

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.

29.50 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 7.5 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 21.33 percent of the expenses in the governmental activities.

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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 \$3,004,273 from water and \$1,895,508 from the sewer plant facility. Water and sewer expenses for 2007 amounted to \$2,975,253 and \$1,857,796, respectively. For 2007, 7,119 water customers and 3,899 sewer customers were serviced. Approximately 45 million 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 positive fund balance of \$407,842. The 3-mill fire levy continues to generate approximately \$350,000 annually. 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 2007, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated. A five year forecast is currently being developed and will be submitted as required by law.

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 \$4,899,781 and total operating expenses of \$4,107,057. If expenses were to exceed revenue and dramatically affect net assets, the City has the power to increase revenue through rate increases.

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 2007, final estimated revenues for the general fund were \$4,641,276 and actual revenues received were \$5,016,626 or \$375,350 greater than final estimated revenues. City Council's final appropriations were \$4,455,198, which exceeded actual expenditures by \$19,710.

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 2007, 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 \$34,519,385, which was a \$1,571,331 decrease from the prior year. The main reason for this decrease was an additional year of accumulated depreciation being taken.

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Total capital assets for the business-type activities, net of accumulated depreciation, were \$11,397,415 or a decrease from the prior year of \$153,166. This decrease was also the result of an additional year of accumulated depreciation being taken. The City made purchases of furniture and equipment and vehicles in 2007. See Note 10 to the basic financial statements for additional information on capital assets.

(Table 3)
 Capital Assets at December 31
 (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	7,287,827	7,369,059	6,594,943	6,737,696	13,882,770	14,106,755
Furniture and Equipment	294,805	399,230	117,160	105,317	411,965	504,547
Vehicles	170,729	206,646	144,875	148,538	315,604	355,184
Infrastructure						
Streets	20,018,072	21,069,181	0	0	20,018,072	21,069,181
Sidewalks	4,899,629	5,157,504	0	0	4,899,629	5,157,504
Curbs	774,683	815,456	0	0	774,683	815,456
Water and Sewer Lines	0	0	353,268	371,861	353,268	371,861
Total Capital Assets	\$34,519,385	\$36,090,716	\$11,397,415	\$11,550,581	\$45,916,800	\$47,641,297

Long-term Obligations

The City had \$7,945,477 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	
	2007	2006	2007	2006	2007	2006
Loans Payable	\$4,686,430	\$4,963,650	\$0	\$0	\$4,686,430	\$4,963,650
OPWC Loans	98,840	107,435	0	0	98,840	107,435
OWDA Loans	0	0	2,220,573	2,825,575	2,220,573	2,825,575
Compensated Absences	539,738	537,482	123,191	114,120	662,929	651,602
Police and Fire Pension	276,705	281,950	0	0	276,705	281,950
Total	\$5,601,713	\$5,890,517	\$2,343,764	\$2,939,695	\$7,945,477	\$8,830,212

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.

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OWDA loans are being paid from sewer and water revenues. The major sewer loan was for the Waste Water treatment facility upgrade and was retired during 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.

The City pays installments on the police and fire pension liability incurred when the State of Ohio established the State wide 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 held by the City's full-time employees.

The City of Girard's overall legal debt margin was \$20,952,443 on December 31, 2007. 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 2007, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated.

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.

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City of Girard, Ohio

Statement of Net Assets

December 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,891,593	\$263,094	\$2,154,687
Accrued Interest Receivable	864	0	864
Accounts Receivable	62,880	992,260	1,055,140
Internal Balances	113,407	(113,407)	0
Intergovernmental Receivable	941,633	0	941,633
Property Taxes Receivable	1,091,004	0	1,091,004
Income Taxes Receivable	1,405,172	0	1,405,172
Special Assessments Receivable	13,380	655	14,035
Prepaid Items	2,185	0	2,185
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	33,445,745	7,210,246	40,655,991
<i>Total Assets</i>	<u>40,041,503</u>	<u>12,540,017</u>	<u>52,581,520</u>
Liabilities			
Accounts Payable	13,078	7,551	20,629
Accrued Wages	114,059	36,010	150,069
Intergovernmental Payable	362,472	101,111	463,583
Accrued Interest Payable	975	81,732	82,707
Claims Payable	137,013	0	137,013
Deferred Revenue	959,061	0	959,061
Long-Term Liabilities:			
Due Within One Year	368,738	234,767	603,505
Due In More Than One Year	5,232,975	2,108,997	7,341,972
<i>Total Liabilities</i>	<u>7,188,371</u>	<u>2,570,168</u>	<u>9,758,539</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	29,734,115	9,176,842	38,910,957
Restricted for:			
Capital Projects	697,271	0	697,271
Debt Service	320,140	0	320,140
State Highway Maintenance	25,595	0	25,595
Street Resurfacing and Traffic Lights	62,813	0	62,813
Garbage Collection	187,188	0	187,188
Other Purposes	930,533	0	930,533
Unrestricted	895,477	793,007	1,688,484
<i>Total Net Assets</i>	<u>\$32,853,132</u>	<u>\$9,969,849</u>	<u>\$42,822,981</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2007

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,387,664	\$441,689	\$87,615	\$305,797
Security of Persons and Property	3,067,289	468,932	2,419	0
Public Health Services	630,108	429,408	61,909	0
Transportation	2,218,389	3,535	1,016,649	0
Community Development	1,313,444	205,165	390,162	0
Basic Utility Services	479,762	0	0	46,685
Leisure Time Activities	58,911	8,945	759	0
Interest and Fiscal Charges	242,478	0	0	0
<i>Total Governmental Activities</i>	<u>10,398,045</u>	<u>1,557,674</u>	<u>1,559,513</u>	<u>352,482</u>
Business-Type Activities:				
Water	2,975,253	3,004,273	0	0
Sewer	1,857,796	1,895,508	0	0
<i>Total Business-Type Activities</i>	<u>4,833,049</u>	<u>4,899,781</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$15,231,094</u>	<u>\$6,457,455</u>	<u>\$1,559,513</u>	<u>\$352,482</u>

General Revenues

Property Taxes Levied for:

General Purposes

Garbage

Fire

Police

Cemetery

Income Taxes Levied for:

General Purposes

Debt Service

Recreation

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

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
(\$1,552,563)	\$0	(\$1,552,563)
(2,595,938)	0	(2,595,938)
(138,791)	0	(138,791)
(1,198,205)	0	(1,198,205)
(718,117)	0	(718,117)
(433,077)	0	(433,077)
(49,207)	0	(49,207)
(242,478)	0	(242,478)
<u>(6,928,376)</u>	<u>0</u>	<u>(6,928,376)</u>
0	29,020	29,020
0	37,712	37,712
<u>0</u>	<u>66,732</u>	<u>66,732</u>
<u>(6,928,376)</u>	<u>66,732</u>	<u>(6,861,644)</u>
292,630	0	292,630
307,048	0	307,048
394,558	0	394,558
38,737	0	38,737
25,824	0	25,824
2,969,181	0	2,969,181
427,402	0	427,402
33,009	0	33,009
467,177	0	467,177
72,401	0	72,401
411,927	0	411,927
<u>5,439,894</u>	<u>0</u>	<u>5,439,894</u>
(1,488,482)	66,732	(1,421,750)
<u>34,341,614</u>	<u>9,903,117</u>	<u>44,244,731</u>
<u>\$32,853,132</u>	<u>\$9,969,849</u>	<u>\$42,822,981</u>

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2007

	General	Street Construction, Maintenance and Repair	Garbage	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$250,059	\$158,226	\$136,156	\$15,975	\$1,331,177	\$1,891,593
Receivables:						
Property Taxes	311,131	0	296,966	373,437	109,470	1,091,004
Income Taxes	1,199,314	0	0	0	205,858	1,405,172
Accounts	32,549	0	0	0	30,331	62,880
Intergovernmental	206,384	285,537	15,118	18,997	415,597	941,633
Special Assessments	4,775	0	0	0	8,605	13,380
Accrued Interest	864	0	0	0	0	864
Interfund Receivable	86,197	0	0	0	0	86,197
Prepaid Items	0	0	0	0	2,185	2,185
<i>Total Assets</i>	<u>\$2,091,273</u>	<u>\$443,763</u>	<u>\$448,240</u>	<u>\$408,409</u>	<u>\$2,103,223</u>	<u>\$5,494,908</u>
Liabilities						
Accounts Payable	\$4,736	\$717	\$0	\$0	\$7,625	\$13,078
Accrued Wages	97,959	11,537	0	0	4,563	114,059
Intergovernmental Payable	199,109	50,741	0	0	112,622	362,472
Deferred Revenue	1,381,627	231,297	312,084	392,434	665,804	2,983,246
<i>Total Liabilities</i>	<u>1,683,431</u>	<u>294,292</u>	<u>312,084</u>	<u>392,434</u>	<u>790,614</u>	<u>3,472,855</u>
Fund Balances						
Reserved for Encumbrances	390	3,824	0	0	10	4,224
Unreserved, Undesignated, Reported in:						
General Fund	407,452	0	0	0	0	407,452
Special Revenue Funds	0	145,647	136,156	15,975	443,549	741,327
Debt Service Fund	0	0	0	0	171,779	171,779
Capital Projects Funds	0	0	0	0	697,271	697,271
<i>Total Fund Balances</i>	<u>407,842</u>	<u>149,471</u>	<u>136,156</u>	<u>15,975</u>	<u>1,312,609</u>	<u>2,022,053</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,091,273</u>	<u>\$443,763</u>	<u>\$448,240</u>	<u>\$408,409</u>	<u>\$2,103,223</u>	<u>\$5,494,908</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, 2007*

Total Governmental Fund Balances	\$2,022,053
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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.	34,519,385
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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	131,943
Income Taxes	1,107,267
Intergovernmental	771,595
Special Assessments	<u>13,380</u>

Total	2,024,185
-------	-----------

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	(137,013)
Internal Balances	<u>27,210</u>

Total	(109,803)
-------	-----------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(975)
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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	(539,738)
Loans Payable	(4,686,430)
OPWC Loans Payable	(98,840)
Police and Fire Pension Loan	<u>(276,705)</u>

Total	<u>(5,601,713)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$32,853,132</u></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, 2007

	General	Street Construction, Maintenance and Repair	Garbage	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$290,477	\$0	\$307,000	\$353,577	\$102,570	\$1,053,624
Municipal Income Taxes	3,131,160	0	0	0	488,213	3,619,373
Special Assessments	0	0	0	0	14,947	14,947
Charges for Services	0	0	0	0	38,239	38,239
Fees, Licenses and Permits	200,966	0	0	0	445,449	646,415
Fines and Forfeitures	660,020	0	0	0	213,000	873,020
Intergovernmental	413,569	783,228	33,879	42,205	1,468,362	2,741,243
Interest	70,620	0	0	0	1,781	72,401
Contributions and Donations	0	0	0	0	1,673	1,673
Other	274,162	57,216	0	0	80,549	411,927
<i>Total Revenues</i>	<u>5,040,974</u>	<u>840,444</u>	<u>340,879</u>	<u>395,782</u>	<u>2,854,783</u>	<u>9,472,862</u>
Expenditures						
Current:						
General Government	1,833,813	0	0	0	136,333	1,970,146
Security of Persons and Property	2,531,394	0	0	381,172	128,808	3,041,374
Public Health Services	27,350	0	0	0	577,622	604,972
Transportation	16,015	897,186	0	0	256,124	1,169,325
Community Development	1,270	0	0	0	1,002,218	1,003,488
Basic Utility Services	0	0	399,520	0	0	399,520
Leisure Time Activities	0	0	0	0	47,729	47,729
Capital Outlay	0	0	0	0	347,213	347,213
Debt Service:						
Principal Retirement	0	8,595	0	0	282,465	291,060
Interest and Fiscal Charges	0	0	0	0	242,498	242,498
<i>Total Expenditures</i>	<u>4,409,842</u>	<u>905,781</u>	<u>399,520</u>	<u>381,172</u>	<u>3,021,010</u>	<u>9,117,325</u>
<i>Excess of Revenues</i>						
<i>Over (Under) Expenditures</i>	<u>631,132</u>	<u>(65,337)</u>	<u>(58,641)</u>	<u>14,610</u>	<u>(166,227)</u>	<u>355,537</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	49,189	49,189
Transfers Out	(49,189)	0	0	0	0	(49,189)
<i>Total Other Financing Sources (Uses)</i>	<u>(49,189)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>49,189</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	581,943	(65,337)	(58,641)	14,610	(117,038)	355,537
<i>Fund Balances (Deficit)</i>						
<i>Beginning of Year</i>	(174,101)	214,808	194,797	1,365	1,429,647	1,666,516
<i>Fund Balances End of Year</i>	<u>\$407,842</u>	<u>\$149,471</u>	<u>\$136,156</u>	<u>\$15,975</u>	<u>\$1,312,609</u>	<u>\$2,022,053</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, 2007*

Net Change in Fund Balances - Total Governmental Funds \$355,537

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	32,338
Depreciation	<u>(1,600,965)</u>

Total (1,568,627)

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. (2,704)

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

Property Taxes	5,173
Income Taxes	(189,781)
Intergovernmental	(383,080)
Special Assessments	<u>4,389</u>

Total (563,299)

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. 291,060

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 20

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. (2,256)

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	2,225
Internal Balances	<u>(438)</u>

Total 1,787

Change in Net Assets of Governmental Activities (\$1,488,482)

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$280,272	\$280,272	\$290,477	\$10,205
Municipal Income Taxes	2,986,512	2,986,512	3,105,465	118,953
Fees, Licenses and Permits	241,050	241,050	201,965	(39,085)
Fines and Forfeitures	655,000	655,000	657,893	2,893
Intergovernmental	381,442	381,442	433,982	52,540
Interest	50,000	50,000	70,550	20,550
Other	47,000	47,000	256,294	209,294
<i>Total Revenues</i>	<u>4,641,276</u>	<u>4,641,276</u>	<u>5,016,626</u>	<u>375,350</u>
Expenditures				
Current:				
General Government	1,767,018	1,767,018	1,815,778	(48,760)
Security of Persons and Property	2,601,680	2,601,680	2,574,246	27,434
Public Health Services	61,000	61,000	27,627	33,373
Transportation	24,000	24,000	16,567	7,433
Community Development	1,500	1,500	1,270	230
<i>Total Expenditures</i>	<u>4,455,198</u>	<u>4,455,198</u>	<u>4,435,488</u>	<u>19,710</u>
<i>Excess of Revenues Over Expenditures</i>	186,078	186,078	581,138	395,060
Other Financing Uses				
Transfers Out	(59,832)	(59,832)	(49,189)	10,643
<i>Net Change in Fund Balance</i>	126,246	126,246	531,949	405,703
<i>Fund Deficit Beginning of Year</i>	(229,267)	(229,267)	(229,267)	0
Prior Year Encumbrances Appropriated	5,200	5,200	5,200	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$97,821)</u>	<u>(\$97,821)</u>	<u>\$307,882</u>	<u>\$405,703</u>

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
 Street Construction, Maintenance and Repair Fund
 For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$589,670	\$763,000	\$768,114	\$5,114
Other	87,330	113,000	57,216	(55,784)
<i>Total Revenues</i>	<u>677,000</u>	<u>876,000</u>	<u>825,330</u>	<u>(50,670)</u>
Expenditures				
Current:				
Transportation	697,084	1,035,184	913,359	121,825
Debt Service:				
Principal Retirement	8,595	8,595	8,595	0
<i>Total Expenditures</i>	<u>705,679</u>	<u>1,043,779</u>	<u>921,954</u>	<u>121,825</u>
<i>Net Change in Fund Balance</i>	(28,679)	(167,779)	(96,624)	71,155
<i>Fund Balance Beginning of Year</i>	245,347	245,347	245,347	0
Prior Year Encumbrances Appropriated	5,679	5,679	5,679	0
<i>Fund Balance End of Year</i>	<u>\$222,347</u>	<u>\$83,247</u>	<u>\$154,402</u>	<u>\$71,155</u>

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
Garbage Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$282,670	\$282,670	\$307,000	\$24,330
Intergovernmental	35,000	35,000	33,879	(1,121)
<i>Total Revenues</i>	317,670	317,670	340,879	23,209
Expenditures				
Current:				
Basic Utility Services	375,000	404,173	400,285	3,888
<i>Net Change in Fund Balance</i>	(57,330)	(86,503)	(59,406)	27,097
<i>Fund Balance Beginning of Year</i>	195,562	195,562	195,562	0
<i>Fund Balance End of Year</i>	<u>\$138,232</u>	<u>\$109,059</u>	<u>\$136,156</u>	<u>\$27,097</u>

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
Fire Levy Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$343,875	\$343,875	\$353,577	\$9,702
Intergovernmental	37,500	37,500	42,205	4,705
<i>Total Revenues</i>	381,375	381,375	395,782	14,407
Expenditures				
Current:				
Security of Persons and Property	390,000	390,000	381,172	8,828
<i>Net Change in Fund Balance</i>	(8,625)	(8,625)	14,610	23,235
<i>Fund Balance Beginning of Year</i>	1,365	1,365	1,365	0
<i>Fund Balance (Deficit) End of Year</i>	(\$7,260)	(\$7,260)	\$15,975	\$23,235

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2007

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$263,094	\$263,094	\$0
Accounts Receivable	529,493	462,767	992,260	0
Special Assessments Receivable	0	655	655	0
<i>Total Current Assets</i>	<u>529,493</u>	<u>726,516</u>	<u>1,256,009</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	2,083,307	5,126,939	7,210,246	0
<i>Total Noncurrent Assets</i>	<u>3,770,476</u>	<u>7,626,939</u>	<u>11,397,415</u>	<u>0</u>
<i>Total Assets</i>	<u>4,299,969</u>	<u>8,353,455</u>	<u>12,653,424</u>	<u>0</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	3,262	4,289	7,551	0
Accrued Wages	16,852	19,158	36,010	0
Intergovernmental Payable	36,704	64,407	101,111	0
Interfund Payable	86,197	0	86,197	0
Accrued Interest Payable	72,474	9,258	81,732	0
Compensated Absences Payable	19,248	13,081	32,329	0
OWDA Loans Payable	175,525	26,913	202,438	0
Claims Payable	0	0	0	137,013
<i>Total Current Liabilities</i>	<u>410,262</u>	<u>137,106</u>	<u>547,368</u>	<u>137,013</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable (net of current portion)	53,627	37,235	90,862	0
OWDA Loans Payable (net of current portion)	1,717,314	300,821	2,018,135	0
<i>Total Long-Term Liabilities</i>	<u>1,770,941</u>	<u>338,056</u>	<u>2,108,997</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,181,203</u>	<u>475,162</u>	<u>2,656,365</u>	<u>137,013</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,877,637	7,299,205	9,176,842	0
Unrestricted (Deficit)	241,129	579,088	820,217	(137,013)
<i>Total Net Assets (Deficit)</i>	<u>\$2,118,766</u>	<u>\$7,878,293</u>	<u>9,997,059</u>	<u>(\$137,013)</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:

(27,210)

Net assets of business-type activities

\$9,969,849

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, 2007*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$3,004,273	\$1,842,957	\$4,847,230	\$1,390,349
Rentals	0	52,500	52,500	0
Special Assessments	0	51	51	0
<i>Total Operating Revenues</i>	<u>3,004,273</u>	<u>1,895,508</u>	<u>4,899,781</u>	<u>1,390,349</u>
Operating Expenses				
Personal Services	1,019,608	820,279	1,839,887	0
Materials and Supplies	180,493	136,925	317,418	0
Contractual Services	1,143,073	371,106	1,514,179	180,745
Depreciation	48,126	161,608	209,734	0
Claims	0	0	0	1,207,379
Other	155,296	70,543	225,839	0
<i>Total Operating Expenses</i>	<u>2,546,596</u>	<u>1,560,461</u>	<u>4,107,057</u>	<u>1,388,124</u>
<i>Operating Income</i>	457,677	335,047	792,724	2,225
Non-Operating Expenses				
Interest and Fiscal Charges	(428,861)	(297,569)	(726,430)	0
<i>Change in Net Assets</i>	28,816	37,478	66,294	2,225
<i>Net Assets (Deficit) Beginning of Year</i>	<u>2,089,950</u>	<u>7,840,815</u>		<u>(139,238)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$2,118,766</u>	<u>\$7,878,293</u>		<u>(\$137,013)</u>

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

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Change in net assets of business-type activities

\$66,732

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Enterprise			Internal Service
	Water	Sewer	Total	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,870,217	\$1,692,338	\$4,562,555	\$0
Cash Received from Interfund Services Provided	0	0	0	1,390,349
Cash Received from Rentals	0	52,500	52,500	0
Cash Payments to Employees for Services	(1,127,256)	(855,759)	(1,983,015)	0
Cash Payments for Goods and Services	(1,318,316)	(495,531)	(1,813,847)	(180,745)
Cash Payments for Claims	0	0	0	(1,209,604)
Other Cash Payments	(155,296)	(70,543)	(225,839)	0
<i>Net Cash Provided by Operating Activities</i>	<u>269,349</u>	<u>323,005</u>	<u>592,354</u>	<u>0</u>
Cash Flows from Noncapital Financing Activities				
Advances In	86,197	0	86,197	0
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(35,385)	(21,183)	(56,568)	0
Principal Paid on OWDA Loans	(164,490)	(440,513)	(605,003)	0
Interest Paid on OWDA Loans	(425,114)	(315,887)	(741,001)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(624,989)</u>	<u>(777,583)</u>	<u>(1,402,572)</u>	<u>0</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(269,443)	(454,578)	(724,021)	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>269,443</u>	<u>717,672</u>	<u>987,115</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$0</u>	<u>\$263,094</u>	<u>\$263,094</u>	<u>\$0</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	<u>\$457,677</u>	<u>\$335,047</u>	<u>\$792,724</u>	<u>\$2,225</u>
Adjustments:				
Depreciation	48,126	161,608	209,734	0
(Increase) Decrease in Assets:				
Accounts Receivable	(134,056)	(150,619)	(284,675)	0
Special Assessments Receivable	0	(51)	(51)	0
Prepaid Items	5,250	12,500	17,750	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(98,967)	(750)	(99,717)	0
Accrued Wages	2,106	2,120	4,226	0
Claims Payable	0	0	0	(2,225)
Compensated Absences Payable	3,952	5,119	9,071	0
Intergovernmental Payable	(14,739)	(41,969)	(56,708)	0
<i>Total Adjustments</i>	<u>(188,328)</u>	<u>(12,042)</u>	<u>(200,370)</u>	<u>(2,225)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$269,349</u>	<u>\$323,005</u>	<u>\$592,354</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2007

	Private Purpose Trust	
	Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,161	\$0
Cash and Cash Equivalents in Segregated Accounts	0	44,347
<i>Total Assets</i>	3,161	\$44,347
Liabilities		
Undistributed Monies	0	\$44,347
Net Assets		
Held in Trust for Endowment	\$3,161	

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, 2007

	Private Purpose Trust
	Memorial
Additions	
Interest	\$16
Deductions	
Contractual Services	1,115
<i>Change in Net Assets</i>	(1,099)
<i>Net Assets Beginning of Year</i>	4,260
<i>Net Assets End of Year</i>	\$3,161

See accompanying notes to the basic financial statements

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

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 has been adopted by the City. Once the plan has been adopted, the City’s discretion is limited in that all financial activity of the City must be in accordance with the plan. The 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, 2007

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, 2007

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 are the City's major governmental funds:

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.

Street Construction, Maintenance and Repair Fund - This fund accounts for 92.5 percent of the State gasoline tax and motor vehicle registration fees designated for maintenance and repair of streets within the City.

Garbage Fund - This fund accounts for property taxes collected for garbage collection.

Fire Levy Fund - The fire levy fund accounts for property taxes collected to provide and maintain fire equipment and for salaries of fire department personnel.

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

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.

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

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.

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, 2007, but which were levied to finance year 2008 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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

During 2007, 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 2007 amount to \$70,620 which includes \$61,049 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, 2007, 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.

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 government-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:

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

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 2007, 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.

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.

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

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 \$2,223,540 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, the community block grant program and cemetery maintenance.

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 is the primary activity of the fund. Revenues and expenses which do not meet these definitions are reported as non operating.

O. Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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. Interfund payments for services provided and used are not eliminated.

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

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.

Note 3 - Change in Accounting Principles

For 2007, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the OPERS and the OP&F post-employment healthcare plans in the amount of \$3,280 and \$5,912, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the City's financial statements.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the City's financial statements.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at December 31, 2007, include the following individual fund deficits:

	<u>Deficit Fund Balance</u>
<i>Special Revenue Funds:</i>	
Fire Pension	\$48,348
<i>Internal Service Fund:</i>	
Hospitalization	137,013

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.

Management is currently analyzing the hospitalization internal service fund's operations to determine appropriate steps to alleviate the deficit.

B. Compliance

The City had a negative cash fund balance in the water enterprise fund of \$86,197, indicating that revenue from other sources were used to pay obligations of this fund contrary to Ohio Revised Code Section 5705.10.

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 Balances - Budget (Non-GAAP Basis) and Actual for the general and major special revenue funds are 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).

City of Girard, Ohio
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3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (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 Balances

	General	Street Construction, Maintenance and Repair	Garbage	Fire Levy
GAAP Basis	\$581,943	(\$65,337)	(\$58,641)	\$14,610
Net Adjustment for Revenue Accruals	(24,348)	(15,114)	0	0
Advances Out	(86,197)	0	0	0
Net Adjustment for Expenditures Accruals	65,024	(12,349)	(765)	0
Encumbrances	(4,473)	(3,824)	0	0
Budget Basis	\$531,949	(\$96,624)	(\$59,406)	\$14,610

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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to 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

City of Girard, Ohio
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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;
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);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances of training requirements have been met.

The City may also invest any monies not required to be used for a specific period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons;
3. Obligations of the City.

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.

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, \$1,246,927 of the City's bank balance of \$1,590,422 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.

City of Girard, Ohio
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Investments

As of December 31, 2007, the City had a repurchase agreement with a maturity of one day. The underlying securities for this repurchase agreement are 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 underlying 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.

Note 7 - Receivables

Receivables at December 31, 2007, 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).

All receivables, except property and income taxes, are expected to be received within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

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.

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 2007 for real and public utility property taxes represents collections of the 2006 taxes. Property tax payments received during 2007 for tangible personal property (other than public utility property) are for 2007 taxes.

2007 real property taxes are levied after October 1, 2007, on the assessed value as of January 1, 2007, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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.

City of Girard, Ohio
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For The Year Ended December 31, 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. 2007 public utility property taxes which became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006, on the value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments 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 full tax rate for all City operations for the year ended December 31, 2007, was \$10.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2007 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Real Property	\$127,631,200
Tangible Personal Property	
Public Utility Property	4,873,660
General	6,397,154
Total Assessed Values	\$138,902,014

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, 2007 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 2007 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.

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: 84.6 percent went to the general fund, 1.0 percent went into the recreation fund, 14.4 percent (January-May) and 12.0 percent (June-December), went into the general obligation bond retirement fund, and 2.4 percent (June-December) went into the capital improvement safety fund.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
Gasoline and Municipal Cents per Gallon	\$303,270
Community Block Grant	302,200
Local Government	129,303
Estate Tax	61,329
Homestead and Rollback	55,377
Permissive Tax	48,568
CHIS/CHIPS Grant	26,000
Capital Projects Grant	7,521
Municipal Court Computer	4,145
Elderly Bus Fare	2,420
Law Enforcement	1,500
Total	<u><u>\$941,633</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.

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, 2007.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

Governmental Activities	Balance 12/31/2006	Additions	Deductions	Balance 12/31/2007
<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	7,000	0	9,075,756
Building Improvements	146,183	0	0	146,183
Furniture and Equipment	1,645,965	10,873	0	1,656,838
Vehicles	1,090,950	14,465	(13,519)	1,091,896
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	79,439,707	32,338	(13,519)	79,458,526
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,784,249)	(82,507)	0	(1,866,756)
Building Improvements	(61,631)	(5,725)	0	(67,356)
Furniture and Equipment	(1,246,735)	(115,298)	0	(1,362,033)
Vehicles	(884,304)	(47,678)	10,815	(921,167)
Infrastructure:				
Streets	(31,486,272)	(1,051,109)	0	(32,537,381)
Sidewalks	(7,736,256)	(257,875)	0	(7,994,131)
Curbs	(1,223,184)	(40,773)	0	(1,263,957)
Total Accumulated Depreciation	(44,422,631)	(1,600,965) *	10,815	(46,012,781)
Total Capital Assets being Depreciated, Net	35,017,076	(1,568,627)	(2,704)	33,445,745
Governmental Activities Capital Assets, Net	\$36,090,716	(\$1,568,627)	(\$2,704)	\$34,519,385

City of Girard, Ohio
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For The Year Ended December 31, 2007

	Balance 12/31/2006	Additions	Deductions	Balance 12/31/2007
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	262,128	35,385	0	297,513
Vehicles	367,071	21,183	0	388,254
Infrastructure	929,653	0	0	929,653
Total Capital Assets being Depreciated	12,127,626	56,568	0	12,184,194
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,771,013)	(63,897)	0	(1,834,910)
Building Improvements	(2,060,065)	(78,856)	0	(2,138,921)
Furniture and Equipment	(156,811)	(23,542)	0	(180,353)
Vehicles	(218,533)	(24,846)	0	(243,379)
Infrastructure	(557,792)	(18,593)	0	(576,385)
Total Accumulated Depreciation	(4,764,214)	(209,734)	0	(4,973,948)
Total Capital Assets being Depreciated, Net	7,363,412	(153,166)	0	7,210,246
Business Type Activities Capital Assets, Net	<u>\$11,550,581</u>	<u>(\$153,166)</u>	<u>\$0</u>	<u>\$11,397,415</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$117,842
Security of Persons and Property	53,873
Public Health Services	4,382
Transportation	1,068,919
Community Development	309,956
Basic Utility Services	34,788
Leisure Time Activities	11,205
Total Depreciation Expense	<u>\$1,600,965</u>

Note 11 - Interfund Transfers and Balances

A. Interfund Transfers

The general fund transferred \$49,189 to the capital improvements capital projects fund to eliminate this fund's cash deficit.

B. Interfund Balances

The general fund advanced \$86,197 to the water enterprise fund to cover negative net assets. The advance will be repaid within one year.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

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 2007 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>12/31/2006</u>			<u>12/31/2007</u>	<u>One Year</u>
Business-Type Activities:					
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	\$537,576	\$0	(\$38,743)	\$498,833	\$40,963
Water Distribution	302,445	0	(19,822)	282,623	21,082
Lakes Project	1,538,796	0	(129,163)	1,409,633	138,036
Liberty Water	31,700	0	(2,216)	29,484	2,357
Sewer Plant	415,058	0	(415,058)	0	0
Total Ohio Water Development Authority Loans	2,825,575	0	(605,002)	2,220,573	202,438
Compensated Absences	114,120	53,014	(43,943)	123,191	32,329
<i>Total Business-Type Activities Obligations</i>	<u>\$2,939,695</u>	<u>\$53,014</u>	<u>(\$648,945)</u>	<u>\$2,343,764</u>	<u>\$234,767</u>

City of Girard, Ohio
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	Amount Outstanding 12/31/2006	Additions	Deletions	Amount Outstanding 12/31/2007	Amounts Due In One Year
Governmental Activities Obligations:					
<i>Loans Payable</i>					
Justice Center	\$3,083,868	\$0	(\$178,725)	\$2,905,143	\$187,365
Street Widening	1,879,782	0	(98,495)	1,781,287	103,256
Total Loans Payable	4,963,650	0	(277,220)	4,686,430	290,621
Ohio Public Works Commission Loan	107,435	0	(8,595)	98,840	8,594
Compensated Absences	537,482	63,163	(60,907)	539,738	64,056
Police and Fire Pension	281,950	0	(5,245)	276,705	5,467
<i>Total Governmental Activities Obligations</i>	<u>\$5,890,517</u>	<u>\$63,163</u>	<u>(\$351,967)</u>	<u>\$5,601,713</u>	<u>\$368,738</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 has pledged future revenues, net of operating expenses, to repay OWDA loans in the water fund. The debt is payable solely from net revenues and are payable through 2017. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues in future years; however, in 2007, the principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the loans is \$2,533,258. Principal and interest paid for the current year and total net revenues were \$164,490 and \$137,199 respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the sewer fund. The debt is payable solely from net revenues and are payable through 2017. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues in future years; however, in 2007, the principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the loans is \$428,020. Principal and interest paid for the current year and total net revenues were \$440,513 and \$42,988 respectively.

The City's overall legal debt margin was \$20,952,443 at December 31, 2007. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007, are as follows:

City of Girard, Ohio
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For The Year Ended December 31, 2007

Governmental Activities:

	Long-Term Loans		Police and Fire Pension		OPWC Loan	Totals
	Principal	Interest	Principal	Interest	Principal	
2008	\$290,621	\$217,069	\$5,467	\$11,706	\$8,594	\$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	351,021	156,668	6,474	10,699	8,595	533,457
2013-2017	2,026,638	511,927	36,918	48,947	42,975	2,667,405
2018-2022	1,059,249	64,906	45,694	40,171	12,891	1,222,911
2023-2027	0	0	55,553	32,320	0	87,873
2028-2032	0	0	65,326	20,539	0	85,865
2033-2035	0	0	43,422	8,095	0	51,517
Total	\$4,686,430	\$1,514,736	\$276,705	\$206,145	\$98,840	\$6,782,856

Business-Type Activities:

	OWDA Loans	
	Principal	Interest
2008	\$202,438	\$144,305
2009	215,760	130,983
2010	229,960	116,783
2011	245,102	101,641
2012	261,245	85,498
2013-2017	1,066,068	161,495
Total	\$2,220,573	\$740,705

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 2007, the City contracted with Love Insurance, Incorporated for various types of insurance as follows:

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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	21,809,542
Inland Marine	1,212,484
Business Electronic Equipment	133,369
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 \$137,013 have been accrued as a liability based on a review of January, 2007 billings provided by the City Auditor's Office.

The claims liability of \$137,013 reported in the internal service fund at December 31, 2007 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 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 2006 and 2007 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$62,745	\$1,194,013	\$1,117,520	\$139,238
2007	139,238	1,207,379	1,209,604	137,013

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

Plan Description – 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent, and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the City's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$202,031, \$190,761 and \$200,760 respectively; 96.50 percent has been contributed for 2007 and 100 percent for 2006 and 2005. Contributions to the member-directed plan for 2007 were \$264 made by the City and \$384 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description – 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 pension 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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$103,168 and \$132,456 for the year ended December 31, 2007, \$116,092 and \$139,080 for the year ended December 31, 2006 and \$115,420 and \$122,070 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 95.23 percent has been contributed for police and 96.10 has been contributed for firefighters for 2007.

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, 2007, the unfunded liability of the City was \$274,699 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

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which 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.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payments amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$118,841, \$93,307 and \$84,088 respectively; 96 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. Police and Firemen's Disability and Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&B Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$68,047 and \$63,171 for the year ended December 31, 2007, \$76,571 and \$66,330 for the year ended December 31, 2006, and \$76,128 and \$58,218 for the year ended December 31, 2005. The full amount has been contributed for 2006 and 2005. 95 percent has been contributed for police and 96 percent has been contributed for firefighters for 2007.

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 2007, the City contributed \$3,816 to the Eastgate Development and Transportation Agency. For more information contact John R. Getchey, executive director, at 100 Federal Plaza East, Youngstown, Ohio 44503.

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 2007, 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 April 24, 2006.

A city is placed into fiscal emergency when any one of six conditions is 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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2007

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, 2006, 2007 and continuing into 2008, the City has taken steps to regain financial stability. As of December 31, 2007, all fund deficits that placed the City into fiscal emergency have been eliminated. In addition, the City was able to make all required debt payments during 2007. 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 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.

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant Formula Allocation Program	A-F-05-127-1	14.228	\$327,511
	A-F-06-127-1		21,603
	A-F-07-127-1		662
Community Housing Improvement Program	A-C-05-127-1		85,375
	A-C-07-127-1		2,115
Total Community Development Block Grant			437,266
HOME Investment Partnerships Program	A-C-05-127-2	14.239	231,792
Total U.S. Department of Housing and Urban Development			669,058
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Public Assistance Grants	FEMA-DR-1484-155-30198	97.036	87
Hazard Mitigation Grant	FEMA-DR-1484.25-OH	97.039	45,386
Total U.S. Department of Homeland Security			45,473
<u>U.S. DEPARTMENT OF OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Aging:</i>			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Citizens	N/A		8,424
Total U.S. Department of Health and Human Services			8,424
Total			\$722,955

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE 2 – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

NOTE 3 - MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE 4 – PASS-THROUGH ENTITY NUMBERS

The Ohio Department of Aging does not provide pass-through entity numbers.



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, 2007, 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.

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, 2007. 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 2007-002, 2007-003, 2007-005, and 2007-006 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 numbers 2007-002 and 2007-003 are also material weaknesses.

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 2007-001, 2007-004, and 2007-005.

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 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, City Council, federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 11, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of Girard, Trumbull County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Girard complied, in all material respects, with the requirements referred to above that apply to each of its major federal program for the year ended December 31, 2007.

In a separate letter to the City's management dated August 11, 2009, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management, City Council, federal awarding agencies, and pass-through entities. 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
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 14.228—Community Development Block Grant
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: > all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007
(Continued)

Finding Number	2007-001
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Financial Recovery Plan – Material Noncompliance

Ohio Revised Code Section 118.06(A) states, in part, that within one hundred twenty days after the first meeting of the financial planning and supervision commission, the mayor of the municipal corporation shall submit the commission a detailed financial plan, as approved or amended and approved by ordinance or resolution of the legislative authority, containing the following:

(1) Actions to be taken by the municipal corporation:

- (a) Eliminate all fiscal emergency conditions, determined to exist pursuant to section 118.04 of the Ohio Revised Code.
- (b) Satisfy any judgments, past due accounts payable, and all past due and payable payroll and fringe benefits;
- (c) Eliminate the deficits in all deficit funds;
- (d) Restore to construction funds and other special funds moneys from such funds that were used for purposes not within the purposes of such funds, or borrowed from such construction funds by the purchase of debt obligations of the municipal corporation with the moneys of such funds, or missing from the construction funds or special funds and not accounted for.
- (e) Balance the budgets, avoid future deficits in any funds, and maintain current payments of payroll, fringe benefits, and all accounts;
- (f) Avoid any fiscal emergency condition in the future;
- (g) Restore the ability of the municipal corporation to market long-term general obligation bonds under provisions of law applicable to municipal corporations generally.

Ohio Revised Code Section 118.27 Section (A) states, in part that a financial planning and supervision commission with respect to a municipal corporation, and its functions under this chapter, shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipal corporation has done all of the following:

- (4) The municipal corporation prepares a financial forecast for a five year period in accordance with the standards issued by the auditor of state. An opinion must be rendered by the auditor of state that the financial forecast is considered to be nonadverse.

The Financial Planning and Supervision Commission have requested that the City update their financial plan annually and prepare a five year financial forecast.

The existing plan was submitted to the Financial and Supervision Commission on April 24, 2006. The plan may be obtained by contacting the City of Girard. The City has not followed through on several actions detailed in this plan.

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007
(Continued)**

Finding Number	2007-001-Continued
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Some of the failures are listed below:

- Additional revenue from gas well drillings - \$125,000 annually.
- Attempt to collect delinquent water and sewer billings by garnishing property tax with the County - \$28,657.
- Reductions in workers' compensation expenditures from \$256,000 to \$107,000 annually.

The City also has not updated the plan annually as requested by the Financial and Supervision Commission.

The failure of the City to follow through on the agreed actions in the original plan, as well as, the failure to submit an annual plan as requested by the Financial and Supervision Commission has hindered the City's recovery from fiscal emergency status.

We recommend the City revise the existing plan and submit it to the Financial Planning and Supervision Commission as requested. We also recommend the City develop controls that will provide assurance that City officials will follow both the plan and the five year financial forecast.

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

Finding Number	2007-002
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Bank Reconciliation – Significant Deficiency/Material Weakness

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. Reconciling items should be adjusted at the time the item or error is discovered and the discrepancy is resolved.

The City was unable to reconcile the bank to book balance throughout 2007. The bank reconciliation is performed by the Finance Clerk and reviewed by the City Auditor. It was noted that while the City Auditor reviews the monthly reconciliations, there is no evidence of his review. In addition, the City's accounts were not fully reconciled from August through December 2007 until March 2009.

Unreconciled bank to book balances, in addition to uncorrected reconciling items, and lack of review lead to misstated bank and book balances and could lead to possible theft or errors without the timely detection by management.

In 2009, the City Auditor reconciled the accounting records to the bank account and the City posted the corresponding reconciling factors to the City's financial statements. Total adjustments necessary were approximately \$87,140.

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007
(Continued)

Finding Number	2007-002-Continued
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We recommend the City take steps to ensure all accounts are reconciled on a monthly basis and any future unreconciled variances are investigated and corrected in a timely manner. The City should additionally take steps to alleviate or adjust outstanding reconciling items. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and evidenced as approved by an individual with appropriate fiscal authority.

Officials' Response: This matter has been addressed and the bank reconciliations are now current and balanced.

Finding Number	2007-003
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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. See the table below.

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
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007
(Continued)**

Finding Number	2007-004
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Negative Cash Balance – Material Noncompliance

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, 2007 the following funds had negative cash fund balances:

Water Revenue Fund	(\$ 339,441)
Sewer Rental Fund	(\$ 92,817)

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	2007-005
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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.

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
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(Continued)

Finding Number	2007-005-Continued
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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.

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 2007, sixty-five percent of the expenditures 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.

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007
(Continued)

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It was also noted that the City did not generate purchase orders for any of the disbursements for fund 235. We recommend that the City issue purchase orders for all expenditures.

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

Finding Number	2007-006
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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 11 of 60 transactions we tested in which purchase orders were not completed and signed by the Auditor or could not be located in the Auditor's office; 8 of 60 instances in which purchase requisitions were not completed; 13 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 one check. 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2007**

<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>
2006-001	Significant deficiency/material weakness over Water and Sewer Billings and Collections.	No	Not Corrected. Repeated as Finding Number 2007-003.
2006-002	ORC 5705.10 – Negative Fund Balances.	No	Not Corrected. Repeated as Finding Number 2007-004.
2006-003	ORC 5705.41 (D) – Certification of Expenditures.	No	Not Corrected. Repeated as Finding Number 2007-005.
2006-004	Significant deficiency over non-payroll controls.	No	Not Corrected. Repeated as Finding Number 2007-006.



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