



Mary Taylor, CPA  
Auditor of State



**CITY OF GIRARD  
TRUMBULL COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to Statement of Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual:	
General Fund .....	18
Statement of Fund Net Assets – Proprietary Funds .....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds .....	21
Statement of Fiduciary Net Assets – Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund .....	23
Notes to the Basic Financial Statements .....	25
Schedule of Federal Awards Expenditures.....	51
Notes to the Schedule of Federal Awards Expenditures .....	52
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings .....	63

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# 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, (the City), as of and for the year ended December 31, 2009, 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, 2009, 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, 2009.

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, 2009, 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.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General, and Bond Retirement Funds, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2009, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 18 to the financial statements, the City has been declared to be in fiscal emergency and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. 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 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2010, 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 did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information.

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

July 23, 2010

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*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, 2009. 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 2009 are as follows:

- The City was able to replace old loans for the justice center and street widening project with new notes. These notes have a floating interest rate around 4.29 percent, which is significantly better than the 5.41 percent on the old justice center loan and 5.75 percent on the old street widening project loan. This has reduced the amount of interest paid by the City.
- The citizens of Girard approved a 3 mill five year renewal levy for fire protection on November 3, 2009. The levy will help to pay and train fire fighters.
- The City has made great strides to recover from fiscal emergency, which was declared in 2001. All fund deficits that placed the City into fiscal emergency have been eliminated. The City continues to make cost cutting measures a priority and carefully monitors revenues for any significant changes.

### **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.

### **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 2009?" 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.

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

---

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 bond retirement debt service fund.

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

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.



**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

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 2009 as they compare to 2008.

(Table 1)  
*Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$4,814,467	\$5,680,203	\$1,355,131	\$1,179,914	\$6,169,598	\$6,860,117
Capital Assets, Net	31,610,135	33,128,424	11,076,345	11,234,992	42,686,480	44,363,416
<i>Total Assets</i>	<u>36,424,602</u>	<u>38,808,627</u>	<u>12,431,476</u>	<u>12,414,906</u>	<u>48,856,078</u>	<u>51,223,533</u>
<b>Liabilities</b>						
Current Liabilities	6,073,197	1,844,869	167,087	279,480	6,240,284	2,124,349
Long-term Liabilities						
Due within one Year	57,346	397,960	248,898	220,967	306,244	618,927
Due in More than one Year	864,206	4,895,792	1,732,833	1,926,221	2,597,039	6,822,013
<i>Total Liabilities</i>	<u>\$6,994,749</u>	<u>\$7,138,621</u>	<u>\$2,148,818</u>	<u>\$2,426,668</u>	<u>\$9,143,567</u>	<u>\$9,565,289</u>

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

(Table 1)  
*Net Assets (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$27,219,571	\$28,642,369	\$9,273,969	\$9,216,857	\$36,493,540	\$37,859,226
Restricted for:						
Capital Projects	272,536	257,251	0	0	272,536	257,251
Debt Service	0	254,161	0	0	0	254,161
State Highway Maintenance	16,590	17,656	0	0	16,590	17,656
Street Resurfacing and Traffic Lights	123,369	32,474	0	0	123,369	32,474
Garbage Collection	169,126	101,254	0	0	169,126	101,254
Other Purposes	1,205,080	1,374,797	0	0	1,205,080	1,374,797
Unrestricted (Deficit)	423,581	990,044	1,008,689	771,381	1,432,270	1,761,425
<i>Total Net Assets</i>	<u>\$29,429,853</u>	<u>\$31,670,006</u>	<u>\$10,282,658</u>	<u>\$9,988,238</u>	<u>\$39,712,511</u>	<u>\$41,658,244</u>

By comparing assets and liabilities, one can see the position of the City has decreased as evidenced by the decrease in net assets. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal year 2009 and 2008.

(Table 2)  
*Changes in Net Assets*

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Program Revenues</b>						
Charges for Services and Assessments	\$1,680,280	\$1,484,954	\$4,734,144	\$4,588,733	\$6,414,424	\$6,073,687
Operating Grants and Contributions	1,258,050	2,437,697	0	0	1,258,050	2,437,697
Capital Grants and Contributions	0	279,422	0	0	0	279,422
<i>Total Program Revenues</i>	<u>2,938,330</u>	<u>4,202,073</u>	<u>4,734,144</u>	<u>4,588,733</u>	<u>7,672,474</u>	<u>8,790,806</u>
<b>General Revenues</b>						
Property Taxes	1,182,167	1,278,920	0	0	1,182,167	1,278,920
Municipal Income Tax	2,865,586	3,395,840	0	0	2,865,586	3,395,840
Grants and Entitlements not Restricted to Specific Programs	374,897	392,680	0	0	374,897	392,680
Interest	12,365	84,497	0	0	12,365	84,497
Miscellaneous	544,176	205,951	0	0	544,176	205,951
<i>Total General Revenues</i>	<u>4,979,191</u>	<u>5,357,888</u>	<u>0</u>	<u>0</u>	<u>4,979,191</u>	<u>5,357,888</u>
<i>Total Revenues</i>	<u>\$7,917,521</u>	<u>\$9,559,961</u>	<u>\$4,734,144</u>	<u>\$4,588,733</u>	<u>\$12,651,665</u>	<u>\$14,148,694</u>

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

(Table 2)  
*Changes in Net Assets (continued)*

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
<b>Program Expenses</b>						
General Government	\$2,915,150	\$3,567,225	\$0	\$0	\$2,915,150	\$3,567,225
Security of Persons and Property	3,148,135	2,909,824	0	0	3,148,135	2,909,824
Public Health Services	216,078	156,717	0	0	216,078	156,717
Transportation	1,966,040	2,263,643	0	0	1,966,040	2,263,643
Community Development	899,822	771,940	0	0	899,822	771,940
Basic Utility Services	444,158	471,884	0	0	444,158	471,884
Leisure Time Activities	291,978	278,614	0	0	291,978	278,614
Interest and Fiscal Charges	276,313	228,756	0	0	276,313	228,756
Water	0	0	2,570,060	3,029,621	2,570,060	3,029,621
Sewer	0	0	1,869,664	1,635,207	1,869,664	1,635,207
<i>Total Program Expenses</i>	<u>10,157,674</u>	<u>10,648,603</u>	<u>4,439,724</u>	<u>4,664,828</u>	<u>14,597,398</u>	<u>15,313,431</u>
Transfers	0	(94,484)	0	94,484	0	0
<i>Change in Net Assets</i>	<u>(2,240,153)</u>	<u>(1,183,126)</u>	<u>294,420</u>	<u>18,389</u>	<u>(1,945,733)</u>	<u>(1,164,737)</u>
Net Assets Beginning of the Year	<u>31,670,006</u>	<u>32,853,132</u>	<u>9,988,238</u>	<u>9,969,849</u>	<u>41,658,244</u>	<u>42,822,981</u>
Net Assets End of the Year	<u>\$29,429,853</u>	<u>\$31,670,006</u>	<u>\$10,282,658</u>	<u>\$9,988,238</u>	<u>\$39,712,511</u>	<u>\$41,658,244</u>

**Governmental Activities**

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. There was a decrease in income tax collections in 2009, mainly due to high unemployment rates within the City. The revenue collected from the income tax, less funds necessary to pay the administrative fees for RITA and to cover refunds, are receipted into the following funds: 84 percent went to the general fund (January), 72 percent (February through August), and 79 percent (September through December), 1 percent went to the recreation fund (January through December), 15 percent went to the general obligation bond retirement fund (January through October), 20 percent (November through December) went into the garbage fund.

Charges for services increased in the governmental activities primarily as a result of increased collections from the municipal court. The decrease in governmental activities operating grants and contributions was due to the City receiving less grant monies through the Community Development Block Grant and the Community Housing Program Grant. Capital grants decreased in 2009 due to availability. Property taxes decreased due to an increase in vacant and foreclosed homes in the City.

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.

General government expenses declined from 2008, mainly due to wage freezes and cost cutting measures by the finance, mayor and council departments. The largest governmental activities expenses are for 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 will allow for the moving of certain expenses from the general fund.

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

---

The Girard Municipal Court is accounted for within the City of Girard's books. 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 transportation department was able to reduce costs from 2008, due to a mild winter season and reducing monies spent on supplies.

**Business-Type Activities**

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated revenues of \$3,067,156 from water and \$1,666,988 from the sewer plant facility. Water and sewer expenses for 2009 amounted to \$2,570,060 and \$1,869,664, respectively. For 2009, 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. The bond retirement fund ended the year with a negative fund balance due to the issuance of short-term notes to replace long-term loans. 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 2009, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated except for the recreation special revenue fund. 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 \$4,734,144 and total operating expenses of \$3,975,877. 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 2009, actual revenues for the general fund were more than final estimated revenues due to an increase in other revenues, offset by reductions in income taxes and fines and forfeitures. City Council's final appropriations were exceeded by actual expenditures due to unforeseen general government expenditures. Management is committed to monitoring this deficit spending situation to ensure it does not happen in the future.

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 2009, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed.

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

Total capital assets for the governmental activities, net of accumulated depreciation decreased from the prior year because of an additional year of accumulated depreciation being taken.

Total capital assets for the business-type activities, net of accumulated depreciation decreased from the prior year because of an additional year of accumulated depreciation being taken. The City made purchases of furniture and equipment and vehicles in 2009. 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	
	2009	2008	2009	2008	2009	2008
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	7,111,362	7,199,595	6,349,415	6,472,179	13,460,777	13,671,774
Furniture and Equipment	170,434	252,123	123,756	120,030	294,190	372,153
Vehicles	261,829	260,439	99,924	120,939	361,753	381,378
Infrastructure						
Streets	17,915,854	18,966,963	0	0	17,915,854	18,966,963
Sidewalks	4,383,879	4,641,754	0	0	4,383,879	4,641,754
Curbs	693,137	733,910	0	0	693,137	733,910
Water and Sewer Lines	0	0	316,081	334,675	316,081	334,675
<b>Total Capital Assets</b>	<b>\$31,610,135</b>	<b>\$33,128,424</b>	<b>\$11,076,345</b>	<b>\$11,234,992</b>	<b>\$42,686,480</b>	<b>\$44,363,416</b>

**Long-term Obligations**

The long-term obligations include 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	
	2009	2008	2009	2008	2009	2008
Loans Payable	\$0	\$4,395,809	\$0	\$0	\$0	\$4,395,809
OPWC Loans	85,949	90,246	0	0	85,949	90,246
OWDA Loans	0	0	1,802,376	2,018,135	1,802,376	2,018,135
Compensated Absences	570,066	536,459	179,355	129,053	749,421	665,512
Police and Fire Pension	265,537	271,238	0	0	265,537	271,238
<b>Total</b>	<b>\$921,552</b>	<b>\$5,293,752</b>	<b>\$1,981,731</b>	<b>\$2,147,188</b>	<b>\$2,903,283</b>	<b>\$7,440,940</b>

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

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

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

---

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 overall increase in compensated absences was the result of a higher balance of sick and vacation time held by the City's full-time employees.

The City of Girard's overall legal debt margin was \$19,539,153 on December 31, 2009. 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 2009, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated except for the recreation special revenue fund, however the City's water department operations are a cause of concern for the City.

**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.

**City of Girard, Ohio**

*Statement of Net Assets*

*December 31, 2009*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,202,393	\$430,097	\$1,632,490
Accrued Interest Receivable	412	0	412
Accounts Receivable	48,376	889,883	938,259
Internal Balances	56,335	(56,335)	0
Intergovernmental Receivable	752,840	0	752,840
Property Taxes Receivable	1,419,932	0	1,419,932
Income Taxes Receivable	1,218,955	0	1,218,955
Special Assessments Receivable	17,967	61,486	79,453
Loans Receivable	83,336	0	83,336
Prepaid Items	13,921	30,000	43,921
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	30,536,495	6,889,176	37,425,671
<i>Total Assets</i>	<u>36,424,602</u>	<u>12,431,476</u>	<u>48,856,078</u>
<b>Liabilities</b>			
Accounts Payable	28,568	20,334	48,902
Accrued Wages	41,053	14,591	55,644
Contracts Payable	5,759	0	5,759
Intergovernmental Payable	299,312	73,411	372,723
Accrued Interest Payable	80,773	58,751	139,524
Notes Payable	4,304,615	0	4,304,615
Claims Payable	112,888	0	112,888
Deferred Revenue	1,200,229	0	1,200,229
Long-Term Liabilities:			
Due Within One Year	57,346	248,898	306,244
Due In More Than One Year	864,206	1,732,833	2,597,039
<i>Total Liabilities</i>	<u>6,994,749</u>	<u>2,148,818</u>	<u>9,143,567</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	27,219,571	9,273,969	36,493,540
Restricted for:			
Capital Projects	272,536	0	272,536
State Highway Maintenance	16,590	0	16,590
Street Resurfacing and Traffic Lights	123,369	0	123,369
Garbage Collection	169,126	0	169,126
Other Purposes	1,205,080	0	1,205,080
Unrestricted	423,581	1,008,689	1,432,270
<i>Total Net Assets</i>	<u>\$29,429,853</u>	<u>\$10,282,658</u>	<u>\$39,712,511</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2009

	Program Revenues		
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions
<b>Governmental Activities:</b>			
General Government	\$2,915,150	\$887,477	\$179,541
Security of Persons and Property	3,148,135	461,352	57,716
Public Health Services	216,078	87,968	4,158
Transportation	1,966,040	2,855	912,594
Community Development	899,822	205,457	8,009
Basic Utility Services	444,158	0	65,601
Leisure Time Activities	291,978	35,171	30,431
Interest and Fiscal Charges	276,313	0	0
<i>Total Governmental Activities</i>	<u>10,157,674</u>	<u>1,680,280</u>	<u>1,258,050</u>
<b>Business-Type Activities:</b>			
Water	2,570,060	3,067,156	0
Sewer	1,869,664	1,666,988	0
<i>Total Business-Type Activities</i>	<u>4,439,724</u>	<u>4,734,144</u>	<u>0</u>
<i>Total</i>	<u>\$14,597,398</u>	<u>\$6,414,424</u>	<u>\$1,258,050</u>

**General Revenues**

Property Taxes Levied for:

- General Purposes
- Garbage
- Fire
- Police
- Cemetery
- Senior Services

Income Taxes Levied for:

- General Purposes
- Debt Service
- Garbage
- Recreation

Grants and Entitlements not Restricted  
to Specific Programs

- Interest
- Other

*Total General Revenues*

Change in Net Assets

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

*Net Assets End of Year*

See accompanying notes to the basic financial statements



Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,848,132)	\$0	(\$1,848,132)
(2,629,067)	0	(2,629,067)
(123,952)	0	(123,952)
(1,050,591)	0	(1,050,591)
(686,356)	0	(686,356)
(378,557)	0	(378,557)
(226,376)	0	(226,376)
(276,313)	0	(276,313)
(7,219,344)	0	(7,219,344)
0	497,096	497,096
0	(202,676)	(202,676)
0	294,420	294,420
(7,219,344)	294,420	(6,924,924)
286,206	0	286,206
282,831	0	282,831
367,112	0	367,112
35,645	0	35,645
23,762	0	23,762
186,611	0	186,611
2,385,825	0	2,385,825
304,827	0	304,827
148,804	0	148,804
26,130	0	26,130
374,897	0	374,897
12,365	0	12,365
544,176	0	544,176
4,979,191	0	4,979,191
(2,240,153)	294,420	(1,945,733)
31,670,006	9,988,238	41,658,244
\$29,429,853	\$10,282,658	\$39,712,511

**City of Girard, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2009*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$49,489	\$152,708	\$1,000,196	\$1,202,393
Receivables:				
Property Taxes	331,486	0	1,088,446	1,419,932
Income Taxes	1,078,410	130,062	10,483	1,218,955
Accounts	21,707	0	26,669	48,376
Intergovernmental	132,957	0	619,883	752,840
Special Assessments	249	0	17,718	17,967
Accrued Interest	412	0	0	412
Interfund Receivable	35,987	0	0	35,987
Prepaid Items	10,546	0	3,375	13,921
Loans Receivable	0	0	83,336	83,336
<i>Total Assets</i>	<u>\$1,661,243</u>	<u>\$282,770</u>	<u>\$2,850,106</u>	<u>\$4,794,119</u>
<b>Liabilities</b>				
Accounts Payable	\$270	\$0	\$28,298	\$28,568
Contracts Payable	0	0	5,759	5,759
Accrued Wages	33,466	0	7,587	41,053
Intergovernmental Payable	183,686	0	115,626	299,312
Interfund Payable	0	0	2,110	2,110
Deferred Revenue	1,378,960	106,371	1,681,710	3,167,041
Accrued Interest Payable	0	79,837	0	79,837
Notes Payable	0	4,304,615	0	4,304,615
<i>Total Liabilities</i>	<u>1,596,382</u>	<u>4,490,823</u>	<u>1,841,090</u>	<u>7,928,295</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	1,067	0	828	1,895
Reserved for Unclaimed Monies	23,582	0	0	23,582
Reserved for Loans Receivable	0	0	68,175	68,175
Unreserved, Undesignated, Reported in:				
General Fund	40,212	0	0	40,212
Special Revenue Funds	0	0	667,477	667,477
Debt Service Fund (Deficit)	0	(4,208,053)	0	(4,208,053)
Capital Projects Funds	0	0	272,536	272,536
<i>Total Fund Balances</i>	<u>64,861</u>	<u>(4,208,053)</u>	<u>1,009,016</u>	<u>(3,134,176)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,661,243</u>	<u>\$282,770</u>	<u>\$2,850,106</u>	<u>\$4,794,119</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, 2009*

---



---

**Total Governmental Fund Balances** (\$3,134,176)

*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. 31,610,135

Other long-term assets are not available to pay for current-period expenditures  
 and therefore are deferred in the funds:

Property Taxes	219,703
Income Taxes	1,045,396
Intergovernmental	683,746
Special Assessments	<u>17,967</u>

Total 1,966,812

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	(112,888)
Internal Balances	<u>22,458</u>

Total (90,430)

In the statement of activities, interest is accrued on outstanding bonds, whereas  
 in governmental funds, an interest expenditure is reported when due. (936)

Long-term liabilities are not due and payable in the current period  
 and therefore are not reported in the funds:

Compensated Absences	(570,066)
OPWC Loans Payable	(85,949)
Police and Fire Pension Loan	<u>(265,537)</u>

Total (921,552)

*Net Assets of Governmental Activities* \$29,429,853

**City of Girard, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$285,788	\$0	\$894,629	\$1,180,417
Municipal Income Taxes	2,464,198	359,769	178,005	3,001,972
Special Assessments	2,017	0	18,359	20,376
Charges for Services	0	0	140,525	140,525
Fees, Licenses and Permits	291,248	0	323,426	614,674
Fines and Forfeitures	518,370	0	360,954	879,324
Intergovernmental	413,923	0	1,658,847	2,072,770
Interest	11,314	0	1,051	12,365
Rentals	17,842	0	11,633	29,475
Contributions and Donations	0	0	1,705	1,705
Other	450,504	0	93,672	544,176
<i>Total Revenues</i>	<u>4,455,204</u>	<u>359,769</u>	<u>3,682,806</u>	<u>8,497,779</u>
<b>Expenditures</b>				
Current:				
General Government	2,050,296	0	545,721	2,596,017
Security of Persons and Property	2,614,748	0	498,426	3,113,174
Public Health Services	60,854	0	149,145	209,999
Transportation	16,279	0	879,561	895,840
Community Development	0	0	593,086	593,086
Basic Utility Services	0	0	429,364	429,364
Leisure Time Activities	0	0	280,553	280,553
Capital Outlay	0	0	194,336	194,336
Debt Service:				
Principal Retirement	0	4,395,809	9,998	4,405,807
Interest and Fiscal Charges	0	264,861	11,472	276,333
<i>Total Expenditures</i>	<u>4,742,177</u>	<u>4,660,670</u>	<u>3,591,662</u>	<u>12,994,509</u>
<i>Net Change in Fund Balances</i>	(286,973)	(4,300,901)	91,144	(4,496,730)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>351,834</u>	<u>92,848</u>	<u>917,872</u>	<u>1,362,554</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$64,861</u>	<u>(\$4,208,053)</u>	<u>\$1,009,016</u>	<u>(\$3,134,176)</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, 2009*

---

---

**Net Change in Fund Balances - Total Governmental Funds** (\$4,496,730)

*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	39,660	
Depreciation	<u>(1,557,949)</u>	
Total		(1,518,289)

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

Property Taxes	1,750	
Income Taxes	(136,386)	
Intergovernmental	(441,528)	
Special Assessments	<u>(4,094)</u>	
Total		(580,258)

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. 4,405,807

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. (33,607)

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	(21,291)	
Internal Balances	<u>4,195</u>	
Total		<u>(17,096)</u>

*Change in Net Assets of Governmental Activities* (\$2,240,153)

**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, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$285,162	\$291,554	\$285,788	(\$5,766)
Municipal Income Taxes	2,696,702	2,726,446	2,574,871	(151,575)
Special Assessments	2,017	2,017	2,017	0
Fees, Licenses and Permits	287,200	293,637	272,482	(21,155)
Fines and Forfeitures	593,000	606,291	539,181	(67,110)
Intergovernmental	388,680	397,392	446,530	49,138
Interest	35,000	35,784	11,678	(24,106)
Rentals	40,000	40,897	17,842	(23,055)
Other	62,983	64,440	451,949	387,509
<i>Total Revenues</i>	4,390,744	4,458,458	4,602,338	143,880
<b>Expenditures</b>				
Current:				
General Government	1,744,437	1,884,817	2,082,874	(198,057)
Security of Persons and Property	2,478,527	2,683,400	2,681,495	1,905
Public Health Services	55,894	60,525	57,022	3,503
Transportation	18,031	19,500	16,486	3,014
<i>Total Expenditures</i>	4,296,889	4,648,242	4,837,877	(189,635)
<i>Net Change in Fund Balance</i>	93,855	(189,784)	(235,539)	(45,755)
<i>Fund Balance Beginning of Year</i>	263,562	263,562	263,562	0
Prior Year Encumbrances Appropriated	56,386	56,386	56,386	0
<i>Fund Balance End of Year</i>	\$413,803	\$130,164	\$84,409	(\$45,755)

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2009*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$430,097	\$430,097	\$0
Accounts Receivable	579,738	310,145	889,883	0
Special Assessments Receivable	52,385	9,101	61,486	0
Prepaid Items	10,000	20,000	30,000	0
<i>Total Current Assets</i>	<u>642,123</u>	<u>769,343</u>	<u>1,411,466</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	1,995,927	4,893,249	6,889,176	0
<i>Total Noncurrent Assets</i>	<u>3,683,096</u>	<u>7,393,249</u>	<u>11,076,345</u>	<u>0</u>
<i>Total Assets</i>	<u>4,325,219</u>	<u>8,162,592</u>	<u>12,487,811</u>	<u>0</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	3,904	16,430	20,334	0
Accrued Wages	6,038	8,553	14,591	0
Intergovernmental Payable	19,362	54,049	73,411	0
Interfund Payable	33,877	0	33,877	0
Accrued Interest Payable	51,057	7,694	58,751	0
Compensated Absences Payable	14,580	4,356	18,936	0
OWDA Loans Payable	199,877	30,085	229,962	0
Claims Payable	0	0	0	112,888
<i>Total Current Liabilities</i>	<u>328,695</u>	<u>121,167</u>	<u>449,862</u>	<u>112,888</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	57,214	103,205	160,419	0
OWDA Loans Payable	1,330,133	242,281	1,572,414	0
<i>Total Long-Term Liabilities</i>	<u>1,387,347</u>	<u>345,486</u>	<u>1,732,833</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,716,042</u>	<u>466,653</u>	<u>2,182,695</u>	<u>112,888</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,153,086	7,120,883	9,273,969	0
Unrestricted (Deficit)	456,091	575,056	1,031,147	(112,888)
<i>Total Net Assets (Deficit)</i>	<u>\$2,609,177</u>	<u>\$7,695,939</u>	10,305,116	<u>(\$112,888)</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: (22,458)

Net assets of business-type activities \$10,282,658

**City of Girard, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2009*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Operating Revenues</b>				
Charges for Services	\$3,014,957	\$1,647,043	\$4,662,000	\$1,464,257
Special Assessments	52,199	19,945	72,144	0
<i>Total Operating Revenues</i>	<u>3,067,156</u>	<u>1,666,988</u>	<u>4,734,144</u>	<u>1,464,257</u>
<b>Operating Expenses</b>				
Personal Services	612,430	1,021,996	1,634,426	0
Materials and Supplies	64,433	133,711	198,144	0
Contractual Services	1,415,275	497,246	1,912,521	190,353
Depreciation	41,383	142,142	183,525	0
Claims	0	0	0	1,295,195
Other	39,930	7,331	47,261	0
<i>Total Operating Expenses</i>	<u>2,173,451</u>	<u>1,802,426</u>	<u>3,975,877</u>	<u>1,485,548</u>
<i>Operating Income (Loss)</i>	893,705	(135,438)	758,267	(21,291)
<b>Non-Operating Expenses</b>				
Interest and Fiscal Charges	(394,652)	(65,000)	(459,652)	0
<i>Change in Net Assets</i>	499,053	(200,438)	298,615	(21,291)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>2,110,124</u>	<u>7,896,377</u>		<u>(91,597)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$2,609,177</u></u>	<u><u>\$7,695,939</u></u>		<u><u>(\$112,888)</u></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.

(4,195)

Change in net assets of business-type activities

\$294,420

See accompanying notes to the basic financial statements



**City of Girard, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2009

	Enterprise			Internal Service
	Water	Sewer	Total	
<b><i>Increase in Cash and Cash Equivalents</i></b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$3,194,960	\$1,822,379	\$5,017,339	\$0
Cash Received from Interfund Services Provided	0	0	0	1,464,257
Cash Payments to Employees for Services	(669,610)	(1,010,568)	(1,680,178)	0
Cash Payments for Goods and Services	(1,480,242)	(637,707)	(2,117,949)	(190,353)
Cash Payments for Claims	0	0	0	(1,273,904)
Other Cash Payments	(39,930)	(7,331)	(47,261)	0
<i>Net Cash Provided by Operating Activities</i>	<u>1,005,178</u>	<u>166,773</u>	<u>1,171,951</u>	<u>0</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
<b>Financing Activities</b>				
Advances In	33,877	122,679	156,556	0
Advances Out	(441,564)	0	(441,564)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(407,687)</u>	<u>122,679</u>	<u>(285,008)</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Capital Acquisitions	0	(24,878)	(24,878)	0
Principal Paid on OWDA Loans	(187,304)	(28,455)	(215,759)	0
Interest Paid on OWDA Loans	(410,187)	(65,804)	(475,991)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(597,491)</u>	<u>(119,137)</u>	<u>(716,628)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	0	170,315	170,315	0
<i>Cash and Cash Equivalents Beginning of Year</i>	0	259,782	259,782	0
<i>Cash and Cash Equivalents End of Year</i>	<u>\$0</u>	<u>\$430,097</u>	<u>\$430,097</u>	<u>\$0</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	\$893,705	(\$135,438)	\$758,267	(\$21,291)
Adjustments:				
Depreciation	41,383	142,142	183,525	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	180,003	164,031	344,034	0
Special Assessments Receivable	(52,199)	(8,640)	(60,839)	0
Prepaid Items	(534)	(6,750)	(7,284)	0
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(52,871)	(17,151)	(70,022)	0
Accrued Wages	(10,302)	(12,565)	(22,867)	0
Claims Payable	0	0	0	21,291
Compensated Absences Payable	7,878	42,424	50,302	0
Intergovernmental Payable	(1,885)	(1,280)	(3,165)	0
<i>Total Adjustments</i>	<u>111,473</u>	<u>302,211</u>	<u>413,684</u>	<u>21,291</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$1,005,178</u>	<u>\$166,773</u>	<u>\$1,171,951</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, 2009*

	Private Purpose Trust	
	Memorial	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,457	\$0
Cash and Cash Equivalents in Segregated Accounts	0	32,083
<i>Total Assets</i>	3,457	\$32,083
<b>Liabilities</b>		
Undistributed Monies	0	\$32,083
<b>Net Assets</b>		
Held in Trust for Endowment	\$3,457	

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, 2009*

	Private Purpose Trust
	Memorial
<b>Additions</b>	
Interest	\$1
<b>Deductions</b>	
Contractual Services	349
<i>Change in Net Assets</i>	(348)
<i>Net Assets Beginning of Year</i>	3,805
<i>Net Assets End of Year</i>	\$3,457

See accompanying notes to the basic financial statements

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

**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 18 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 17 to the basic financial statements.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

**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.

***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.

***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, 2009*

---

---

**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.

**Bond Retirement Fund** - The bond retirement debt service fund accounts for short-term notes and long-term debt principal and interest payments.

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

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

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

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

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

**Internal Service Funds** Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund is a health fund that accounts for vision, dental, prescription drug and hospital/medical claims of the City employees.

**Fiduciary Funds**

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

***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.

***Basis of Accounting***

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

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

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



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

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, 2009, but which were levied to finance year 2010 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.

***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 interest bearing depository accounts are reported as "cash and cash equivalents in segregated accounts" or "investments in segregated accounts" since they are not required to be deposited into the City Treasury.

During 2009, investments were limited to nonnegotiable certificates of deposit reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2009 amount to \$11,314, of which \$10,783 is 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.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2009, 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.

***Inventory***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

***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:

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

For 2009, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

***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.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

***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.

***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.

***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 equity reserves have been established for encumbrances and unclaimed monies. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

***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. 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.

***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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues and expenses which do not meet these definitions are reported as non-operating.

***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.

***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.

***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.

***Budgetary Process***

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

**Note 3 - Change in Accounting Principle and Restatement of Fund Balance/Net Assets**

***Change in Accounting Principle***

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments," Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition,

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

***Restatement of Fund Balance/Net Assets***

During 2009, it was determined that a special revenue fund was omitted from the City's financial statements. The inclusion of the fund had the following effect on fund balance/net assets as they were previously reported.

	General Fund	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance, December 31, 2008	\$351,834	\$92,848	\$751,625	\$1,196,307
Reclassification of Fund Balance	0	0	166,247	166,247
Adjusted Fund Balance, December 31, 2008	<u>\$351,834</u>	<u>\$92,848</u>	<u>\$917,872</u>	<u>\$1,362,554</u>

	Governmental Activities
Net Assets, December 31, 2008	\$31,503,759
Reclassification of Net Assets	166,247
Adjusted Net Assets, December 31, 2008	<u>\$31,670,006</u>

**Note 4 – Accountability and Compliance**

***Accountability***

Fund balances at December 31, 2009, include the following individual fund deficits:

	Deficit Fund Balances
<i>Major Fund:</i>	
Bond Retirement	\$4,208,053
<i>Special Revenue Funds:</i>	
Fire Pension	32,049
Police Pension	33,090
<i>Internal Service Fund:</i>	
Hospitalization	112,888

The bond retirement debt service fund deficit is caused by the issuance of short-term bond anticipation notes. Once the notes are retired or bonds are issued, the deficit will be eliminated.

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 deficit in this fund and provides operating transfers when cash is required, not when accruals occur.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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

***Compliance***

The City had expenditures that were not certified by the fiscal officer at the time the commitment was incurred contrary to Ohio Revised Code Section 5705.41D.

The street construction maintenance and repair special revenue fund had original and final appropriations in excess of original and final estimated resources plus carryover balances in the amount of \$14,466 and \$14,366, respectively, in violation of Section 5705.39, Ohio Revised Code.

The following funds had expenditures plus encumbrances in excess of appropriations contrary to section 5705.41, Ohio Revised Code:

	Final Appropriations	Expenditures	Excess
General Fund	\$5,198,242	\$5,377,005	\$178,763
<i>Special Revenue Funds:</i>			
State Highway	58,900	59,468	568
Recreation	55,384	58,264	2,880

The City had negative cash fund balances in the following funds indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10:

***Special Revenue Funds***

State Highway	\$1,920
Recreation	190

***Enterprise Fund***

Water	32,713
-------	--------

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).

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. 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 is as follows:

Net Change in Fund Balances	
	General
GAAP Basis	(\$286,973)
Net Adjustment for Revenue Accruals	147,134
Net Adjustment for Expenditures Accruals	(59,810)
Advances Out	(34,823)
Encumbrances	(1,067)
Budget Basis	(\$235,539)

**Note 6 - Deposits and Investments**

The City has chosen to follow State statutes and classify monies held by the City 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;



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio;
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, \$1,270,775 of the City's bank balance of \$2,038,864 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**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

**Note 7 - Receivables**

Receivables at December 31, 2009, 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.

***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 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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.

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. 2009 public utility property taxes which became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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, 2009, was \$12.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Real Property	\$123,115,360
Tangible Personal Property	
Public Utility Property	3,646,920
General	<u>344,513</u>
Total Assessed Values	<u><u>\$127,106,793</u></u>

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, 2009 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 2009 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.

***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 percent went to the general fund (January), 72 percent (February through August), and 79 percent (September through December), 1 percent went to the recreation fund (January through December), 15 percent went to the general obligation bond retirement fund (January through October), 20 percent (November through December) went into the garbage fund.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Community Block Grant	\$253,100
Gasoline and Municipal Cents per Gallon	196,087
Local Government	111,744
Homestead and Rollback	91,703
Motor Vehicle License Tax	50,691
Permissive Tax	<u>49,515</u>
Total	<u><u>\$752,840</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**

***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.

***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, 2009.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2009

**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2009, was as follows:

<b>Governmental Activities</b>	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<i>Capital Assets being Depreciated:</i>				
Buildings	9,075,756	0	0	9,075,756
Building Improvements	144,983	0	0	144,983
Furniture and Equipment	1,676,182	0	0	1,676,182
Vehicles	1,074,065	39,660	0	1,113,725
Infrastructure:				
Streets	52,555,453	0	0	52,555,453
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
Total Capital Assets being Depreciated	<u>79,458,839</u>	<u>39,660</u>	<u>0</u>	<u>79,498,499</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,949,262)	(82,507)	0	(2,031,769)
Building Improvements	(71,882)	(5,726)	0	(77,608)
Furniture and Equipment	(1,424,059)	(81,689)	0	(1,505,748)
Vehicles	(813,626)	(38,270)	0	(851,896)
Infrastructure:				
Streets	(33,588,490)	(1,051,109)	0	(34,639,599)
Sidewalks	(8,252,006)	(257,876)	0	(8,509,882)
Curbs	(1,304,730)	(40,772)	0	(1,345,502)
Total Accumulated Depreciation	<u>(47,404,055)</u>	<u>(1,557,949) *</u>	<u>0</u>	<u>(48,962,004)</u>
Total Capital Assets being Depreciated, Net	<u>32,054,784</u>	<u>(1,518,289)</u>	<u>0</u>	<u>30,536,495</u>
Governmental Activities Capital Assets, Net	<u>\$33,128,424</u>	<u>(\$1,518,289)</u>	<u>\$0</u>	<u>\$31,610,135</u>

\*Depreciation expense was charged to governmental activities as follows:

General Government	\$115,313
Security of Persons and Property	37,592
Public Health Services	4,383
Transportation	1,068,345
Community Development	306,736
Basic Utility Services	14,374
Leisure Time Activities	11,206
Total Depreciation Expense	<u>\$1,557,949</u>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<b>Business Type Activities:</b>				
<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	309,819	24,878	0	334,697
Vehicles	326,468	0	0	326,468
Infrastructure	929,653	0	0	929,653
Total Capital Assets being Depreciated	12,134,714	24,878	0	12,159,592
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,898,808)	(63,898)	0	(1,962,706)
Building Improvements	(2,197,787)	(58,866)	0	(2,256,653)
Furniture and Equipment	(189,789)	(21,152)	0	(210,941)
Vehicles	(205,529)	(21,015)	0	(226,544)
Infrastructure	(594,978)	(18,594)	0	(613,572)
Total Accumulated Depreciation	(5,086,891)	(183,525)	0	(5,270,416)
Total Capital Assets being Depreciated, Net	7,047,823	(158,647)	0	6,889,176
Business Type Activities Capital Assets, Net	\$11,234,992	(\$158,647)	\$0	\$11,076,345

**Note 11 - Interfund Balances**

Interfund balances for the year ended December 31, 2009, consisted of the following advances:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
Special Revenue Funds	General Fund
State Highway	\$1,920
Recreation	190
<b>Enterprise Fund</b>	
Water	33,877
Grand Total	<u>\$35,987</u>

The interfund receivables and payables were the result of deficit cash balances in the respective funds. The advances will be repaid within one year.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2009

**Note 12 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Business-Type Activities:</b>			
<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
<b>Governmental Activities:</b>			
<i>Loans Payable</i>			
Justice Center	5.41	4,000,000	2009
Street Widening	5.75	2,500,000	2009
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 2009 follows:

	Amount Outstanding 12/31/2008	Additions	Deletions	Amount Outstanding 12/31/2009	Amounts Due In One Year
<b>Business-Type Activities:</b>					
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	\$457,870	\$0	(\$43,310)	\$414,560	\$45,792
Water Distribution	261,541	0	(22,423)	239,118	23,849
Lakes Project	1,271,597	0	(147,519)	1,124,078	157,654
Liberty Water	27,127	0	(2,507)	24,620	2,667
Total Ohio Water Development Authority Loans	2,018,135	0	(215,759)	1,802,376	229,962
Compensated Absences	129,053	64,527	(14,225)	179,355	18,936
<b>Total Business-Type Activities Obligations</b>	<b>\$2,147,188</b>	<b>\$64,527</b>	<b>(\$229,984)</b>	<b>\$1,981,731</b>	<b>\$248,898</b>
<b>Governmental Activities Obligations:</b>					
<i>Loans Payable</i>					
Justice Center	\$2,717,778	\$0	(\$2,717,778)	\$0	\$0
Street Widening	1,678,031	0	(1,678,031)	0	0
Total Loans Payable	4,395,809	0	(4,395,809)	0	0
Ohio Public Works Commission Loan	90,246	0	(4,297)	85,949	12,892
Compensated Absences	536,459	268,230	(234,623)	570,066	38,508
Police and Fire Pension	271,238	0	(5,701)	265,537	5,946
<b>Total Governmental Activities Obligations</b>	<b>\$5,293,752</b>	<b>\$268,230</b>	<b>(\$4,640,430)</b>	<b>\$921,552</b>	<b>\$57,346</b>

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

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 required less than 100 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$1,927,624. Principal and interest paid for the current year and total net revenues were \$301,687 and \$936,252 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 2009, the principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the loans is \$340,169. Principal and interest paid for the current year and total net revenues were \$45,055 and \$7,389 respectively.

The City's overall legal debt margin was \$19,439,153 at December 31, 2009. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009, are as follows:

Business-Type Activities:

	OWDA Loans	
	Principal	Interest
2010	\$229,962	\$116,783
2011	245,102	101,641
2012	261,245	85,498
2013	278,455	68,288
2014	296,805	49,938
2015-2017	490,807	43,269
Total	\$1,802,376	\$465,417

Governmental Activities:

	Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal
2010	\$5,946	\$11,227	\$12,892
2011	6,204	10,969	8,595
2012	6,474	10,699	8,595
2013	6,759	10,414	8,595
2014	7,057	10,116	8,595
2015-2019	40,245	45,620	38,677
2020-2024	49,563	36,302	0
2025-2029	59,551	26,314	0
2030-2034	68,902	16,963	0
2035	14,836	2,335	0
Total	\$265,537	\$180,959	\$85,949



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2009

**Note 13 – Notes Payable**

The City’s note activity, including amounts outstanding and interest rates, is as follows:

	Balance 12/31/08	Additions	Reductions	Balance 12/31/09
Justice Center	\$0	\$2,657,808	\$0	\$2,657,808
Street Widening Project	0	1,646,807	0	1,646,807
<b>Total</b>	<b>\$0</b>	<b>\$4,304,615</b>	<b>\$0</b>	<b>\$4,304,615</b>

On July 24, 2009, the City issued \$4,304,615 in various purpose notes to retire the previous loans outstanding for the justice center and street widening project. The interest rate is a floating interest rate equal to the 30-day LIBOR rate plus 400 basis points. At December 31, 2009, the floating interest rate was 4.23 percent. The notes mature on July 24, 2010.

**Note 14 - Risk Management**

*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 2009, the City contracted with Love Insurance, Incorporated for various types of insurance as follows:

Type	Coverage
Commercial Liability	\$1,000,000/\$3,000,000
Public Officials	1,000,000/3,000,000
Law Enforcement	1,000,000/3,000,000
Automobile	1,000,000
Automobile Physical Damage	Actual Cash Value
Real and Personal Property	21,261,433
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.

*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 \$1,400,000 for the City as a whole. Incurred but not reported claims of \$112,888 have been accrued as a liability based on a review of January, 2009 billings provided by the City Auditor’s Office.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

The claims liability of \$112,888 reported in the internal service fund at December 31, 2009 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 2008 and 2009 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2008	\$137,013	\$919,915	\$965,331	\$91,597
2009	91,597	1,295,195	1,273,904	112,888

***Workers' Compensation***

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

**Note 15 - Defined Benefit Pension Plans**

***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 Pension 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. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability and survivor benefits and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy 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, 2009, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The City's 2009 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.63 percent of covered payroll. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 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 Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$186,942, \$159,239, and \$202,031 respectively; 88.45 percent has been contributed for 2009 and 100 percent for 2008 and 2007. There were no contributions to the member-directed plan for 2009.

***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 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24.0 percent for firefighters. The City's contributions to OP&F for police and firefighters were \$112,667 and \$134,041 for the year ended December 31, 2009, \$111,120 and \$137,788 for the year ended December 31, 2008, and \$103,168 and \$132,456 for the year ended December 31, 2007. 76.03 percent for police and 82.13 percent for firefighters has been contributed for 2009. The full amount has been contributed for 2008 and 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, 2009, the unfunded liability of the City was \$265,537 payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

**Note 16 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

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 OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, state and local employers contributed 14.0 percent of covered payroll and public safety and law enforcement employers contributed 17.63. 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 employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$135,174, \$159,239, and \$118,841 respectively; 88.45 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care 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 health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F 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 the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

---

plan members, currently 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care 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.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$59,647 and \$52,451 for the year ended December 31, 2009, \$58,775 and \$53,917 for the year ended December 31, 2008, and \$68,047 and \$63,171 for the year ended December 31, 2007. 76.03 percent has been contributed for police and 82.13 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

#### **Note 17 - Jointly Governed Organizations**

##### ***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 2009, 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.

##### ***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 2009, the City contributed \$4,313 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

#### **Note 18 – 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.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2009*

---

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 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 the past 5 years and continuing into 2010, the City has taken steps to regain financial stability. As of December 31, 2009, all fund deficits that placed the City into fiscal emergency have been eliminated except for the recreation special revenue fund. In addition, the City was able to make all required debt payments during 2009 however the City was late on one payment. 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 \$50,000 annually for 2010 and beyond. 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 2009 and plans to renew the levy in the future.

CITY OF GIRARD  
TRUMBULL COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant Formula Allocation Program	A-F-07-127-1 A-F-08-127-1	14.228	\$5 45,056 <hr/> 45,061
Community Housing Improvement Program	A-C-07-127-1		30,489
Neighborhood Revitalization Program	B-Z-08-046-1		<hr/> 5,967
Total Community Development Block Grant			81,517
HOME Investment Partnerships Program Community Housing Improvement Program	A-C-07-127-2 A-C-09-127-2	14.239	317,305 <hr/> 180
Total HOME Investment Partnership Program			<hr/> 317,485
			<hr/> <b>399,002</b>
Total U.S. Department of Housing and Urban Development			
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Public Assistance Grants	FEMA-DR-1484-155-30198	97.036	<hr/> 239
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>			
<i>Passed Through Ohio EPA:</i>			
CSO and Collection Systems Upgrade	XP-00E05101-0	66.202	<hr/> 131,463
			<hr/> <b>\$530,704</b>
<b>Total</b>			

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

**CITY OF GIRARD  
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS**

The City has a revolving loan fund (RLF) program to provide low-interest loans to lend money to businesses for job creation. 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 Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$68,175
Loans made	40,000
Loan principal repaid	24,839
Ending loans receivable balance as of December 31, 2009	\$83,336
Cash balance on hand in the revolving loan fund as of December 31, 2009	\$84,892
Administrative costs expended during 2009	419

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2009, the City estimates \$8,565 to be uncollectible.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.





# 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, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 23, 2010, 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. 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.

In addition, we qualified our report on the water and sewer revenue reported within the business-type activities and the Water Fund and Sewer Fund because 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, 2009. In addition, as described in Note 18 to the financial statements, the City has been declared to be in fiscal emergency and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. This condition raises substantial doubt about the City's ability to continue as a going concern. Except as discussed in the preceding sentences, 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses.

However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-002 and 2009-003 described in the accompanying schedule of findings to be material weaknesses.

#### **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 we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-001 and 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated July 23, 2010.

We intend this report solely for the information and use of the management, City Council, federal awarding agencies and pass-through entities, and others within the Government. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 23, 2010



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH 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, (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, 2009. 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 each 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 its major federal program for the year ended December 31, 2009.

#### 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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503-1293

Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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 noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated July 23, 2010.

We intend this report solely for the information and use of management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

July 23, 2010

CITY OF GIRARD  
TRUMBULL COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2009

**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)?	No
<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 # 14.239 Home Investment Partnership Program
<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**

**1. Financial Recovery Plan**

<b>Finding Number</b>	<b>2009-001</b>
-----------------------	-----------------

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:

**FINDING NUMBER 2009-001  
(Continued)**

- (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(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.

The Auditor of State's office placed the City in fiscal emergency on August 8, 2001 in accordance with Section 118.03 of the Ohio Revised Code. 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 City has not followed through on several actions detailed in this plan.

Some of the failures are listed below:

- The City failed to gain revenue from gas well drillings - \$125,000 annually.
- Attempt to collect delinquent water and sewer billings by garnishing property tax with the County.
- Reductions in workers' compensation expenditures 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.

**FINDING NUMBER 2009-001  
(Continued)**

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.

**2. Water and Sewer Billings and Collections**

<b>Finding Number</b>	<b>2009-002</b>
-----------------------	-----------------

MATERIAL WEAKNESS

As a cost savings measure the City administration made the decision to eliminate all water department meter reader positions in December 2001. As a result, the following weaknesses were noted in the water and sewer 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 would estimate their bill.

As a compensating control beginning in the summer of 2008, the City obtained the services of local college students to read customers' meters two times each summer. For 2009, this resulted in approximately only 50% of all meters being read. In 2009, the City's water department had charges for services revenue of \$3,014,957 and accounts receivable of \$579,738 as of 12/31/09. Additionally, the City's sewer fund had charges for services revenue of \$1,647,043 and accounts receivable of \$310,145 as of 12/31/09.

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.

**3. Bank Reconciliations**

<b>Finding Number</b>	<b>2009-003</b>
-----------------------	-----------------

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 Auditor prepared the monthly bank to book reconciliations throughout 2009; however, an unreconciled balance existed throughout 2009 which was not resolved.

**FINDING NUMBER 2009-003  
(Continued)**

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

1. For 2009, a fund balance audit adjustment to the general fund of \$13,242 was required in order to reconcile the City's accounting system to the bank balances. In addition, an audit adjustment to reduce Fund 300 by \$3,282 was necessary to eliminate a double posting of a receipt made during 2009. The audit adjustments were posted to the City's accounting system and to the audited financial statements.

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 after being fully investigated and approved by City Council. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and evidenced as approved by an individual with appropriate fiscal authority.

**4. Certification of Expenditures**

<b>Finding Number</b>	<b>2009-004</b>
-----------------------	-----------------

MATERIAL NONCOMPLIANCE

**Ohio Revised Code § 5705.41(D)** prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

- A. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certificate ("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 encumbrances, 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 resolution or ordinance.

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 the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.



**FINDING NUMBER 2009-004  
(Continued)**

- B. Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond 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 particular line item appropriation.
- C. 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 certificate 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.

Twenty eight out of sixty one nonfederal expenditures (46%) and 100% of the Home Investment Partnership federal program expenditures tested for fiscal year 2009, were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence the City followed the aforementioned exceptions. Failure to properly certify the availability of the funds can result in overspending funds and negative cash fund balances.

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 to help reduce the possibility of the City’s funds exceeding budgetary spending limitations, we recommend the fiscal officer certify that funds are or will be available prior to the obligation of the City. When prior certification is not possible, “then and now” certification should be used.

We recommend the City certify expenditures to which § 5705.41(D) applies. The most convenient certification method to authorize disbursements is to use purchase orders that include certification language required by § 5705.41(D). The fiscal officer should sign the certification prior to the City incurring the commitment, and only when the requirements of § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Official’s Response:** We did not receive a response from Officials to the findings reported above.

<b>3. FINDING FOR FEDERAL AWARD</b>
-------------------------------------

None

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**CITY OF GIRARD  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2008-001	Financial Recovery Plan-Material Noncompliance	No	Not Corrected. Repeated as Finding 2009-001
2008-002	Negative Cash Balance-Material Noncompliance	No	Not Corrected. However, amounts are not material and will be communicated in the management letter.
2008-003	Certification of Expenditures-Material Noncompliance/Significant Deficiency	No	Not Corrected. Repeated as Finding 2009-004
2008-004	Bank Reconciliation-Significant Deficiency/Material Weakness	No	Not Corrected. Repeated as Finding 2009-003
2008-005	Water and Sewer Billings and Collections-Significant Deficiency/Material Weakness	No	Not Corrected. Repeated as Finding 2009-002





**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  
SEPTEMBER 30, 2010**