



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF GIRARD
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types and Similar Trust Fund For the Year Ended December 31, 2001	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (NON-GAAP Basis) and Actual - All Governmental Fund Types And Similar Trust Fund - For the Year Ended December 31, 2001	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - All Proprietary Fund Types - For the Year Ended December 31, 2001	14
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types - For the Year Ended December 31, 2001	15
Combined Statement of Cash Flows - All Proprietary Fund Types - For the Year Ended December 31, 2001	19
Notes to the General Purpose Financial Statements	21
Schedule of Federal Awards Expenditures	47
Notes to the Schedule of Federal Awards Expenditures	48
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	49
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	51
Schedule of Findings	53
Schedule of Prior Audit Findings	60
Corrective Action Plan	63

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Members of Council
City of Girard
100 West Main Street
Girard, Ohio 44420

We have audited the accompanying general-purpose financial statements of the City of Girard, Trumbull County, Ohio (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

Ambulance billing collections reported in the Capital Projects Fund Type are processed by a service organization that is independent of the City of Girard. The service organization did not provide us with evidence we requested regarding the design and proper operation of its internal controls relative to the processing of the City's ambulance billing transactions. We were unable to perform procedures to satisfy ourselves as to the proper processing of ambulance run bills. The ambulance billings represent 100% of the charges for services revenue reflected in the Capital Projects Fund Type for the year ended December 31, 2001.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding ambulance billing revenue as discussed in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Girard, Trumbull County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, during the year ended December 31, 2001, the City adopted Governmental Accounting Standards Board Statement No. 33.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 22 to the financial statements, the City has been declared to be in fiscal emergency under criteria established by Ohio Revised Code Chapter 118. This condition raises substantial doubt about the City's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 22. 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 22, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the City, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Districts, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping loop at the end.

Jim Petro
Auditor of State

July 22, 2002

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City of Girard, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Assets and Other Debits</i>				
Assets				
Equity in Pooled Cash and Cash and Cash Equivalents	\$0	\$1,040,520	\$0	\$259,401
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0
Receivables:				
Taxes	1,512,116	464,062	225,578	0
Accounts	0	0	0	0
Interfund	0	80,813	0	1,364,950
Accrued Interest	1,000	0	0	0
Intergovernmental Receivable	221,967	555,425	0	42,266
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Obligation Notes Payable	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	\$1,735,083	\$2,140,820	\$225,578	\$1,666,617

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$5,335	\$0	\$0	\$1,305,256
0	0	83,538	0	0	83,538
0	0	0	0	0	2,201,756
934,864	0	0	0	0	934,864
820,765	0	0	0	0	2,266,528
0	0	0	0	0	1,000
0	0	0	0	0	819,658
13,959,903	0	0	9,188,586	0	23,148,489
0	0	0	0	35,812	35,812
0	0	0	0	8,339,491	8,339,491
<u>\$15,715,532</u>	<u>\$0</u>	<u>\$88,873</u>	<u>\$9,188,586</u>	<u>\$8,375,303</u>	<u>\$39,136,392</u>

(continued)

City of Girard, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>				
Liabilities				
Accounts Payable	\$11,538	\$25,747	\$0	\$2,534
Contracts Payable	0	0	0	0
Interfund Payable	2,106,207	127,265	0	0
Accrued Wages and Benefits	79,759	10,508	0	0
Compensated Absences Payable	25,745	6,291	0	0
Intergovernmental Payable	95,869	12,052	0	0
Deferred Revenue	1,473,072	918,722	189,766	0
Undistributed Monies	0	0	0	0
Accrued Interest Payable	0	0	0	719
Notes Payable	0	0	0	27,856
Claims Payable	0	0	0	0
Fire and Police Pension Liability	0	0	0	0
Capital Leases Payable	0	0	0	0
OWDA Loans Payable	0	0	0	0
OPWC Loans Payable	0	0	0	0
<i>Total Liabilities</i>	3,792,190	1,100,585	189,766	31,109
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	3,570	9,432	0	2,745
Unreserved, Undesignated (Deficit)	(2,060,677)	1,030,803	35,812	1,632,763
<i>Total Fund Equity (Deficit) and Other Credits</i>	(2,057,107)	1,040,235	35,812	1,635,508
<i>Total Liabilities, Fund Equity and Other Credits</i>	\$1,735,083	\$2,140,820	\$225,578	\$1,666,617

See accompanying notes to the general purpose financial statements

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$139,537	\$0	\$0	\$0	\$0	\$179,356
35,760	0	0	0	650,000	685,760
0	0	33,056	0	0	2,266,528
21,006	0	0	0	0	111,273
170,102	0	0	0	757,604	959,742
50,859	0	0	0	147,506	306,286
0	0	0	0	0	2,581,560
0	0	50,482	0	0	50,482
0	0	0	0	0	719
0	0	0	0	6,110,319	6,138,175
0	49,485	0	0	0	49,485
0	0	0	0	305,107	305,107
114,858	0	0	0	254,356	369,214
4,715,563	0	0	0	0	4,715,563
0	0	0	0	150,411	150,411
<u>5,247,685</u>	<u>49,485</u>	<u>83,538</u>	<u>0</u>	<u>8,375,303</u>	<u>18,869,661</u>
0	0	0	9,188,586	0	9,188,586
1,043,104	0	0	0	0	1,043,104
9,424,743	(49,485)	0	0	0	9,375,258
0	0	0	0	0	15,747
0	0	5,335	0	0	644,036
<u>10,467,847</u>	<u>(49,485)</u>	<u>5,335</u>	<u>9,188,586</u>	<u>0</u>	<u>20,266,731</u>
<u>\$15,715,532</u>	<u>\$0</u>	<u>\$88,873</u>	<u>\$9,188,586</u>	<u>\$8,375,303</u>	<u>\$39,136,392</u>

City of Girard, Ohio
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Similar Trust Fund
For The Year Ended December 31, 2001*

	Governmental	
	General	Special Revenue
Revenues		
Municipal Income Tax	\$2,550,293	\$170,657
Property and Other Taxes	241,769	393,247
Charges for Services	0	173,811
Licenses, Permits and Fees	528,519	43,801
Fines and Forfeitures	0	247,988
Intergovernmental	759,837	1,336,233
Interest	62,570	1,308
Contributions and Donations	0	887
Other	53,894	788
	4,196,882	2,368,720
<i>Total Revenues</i>		
Expenditures		
Current:		
General Government	1,717,560	21,112
Security of Persons and Property	3,271,474	83,240
Public Health and Welfare	150,605	112,204
Transportation	33,409	591,534
Community Environment	645	653,326
Basic Utility Services	0	321,562
Leisure Time Activities	44,589	170,967
Capital Outlay	0	0
Debt Service:		
Principal Retirement	18,742	37,845
Interest and Fiscal Charges	2,217	15,201
	5,239,241	2,006,991
<i>Total Expenditures</i>		
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,042,359)	361,729
<i>Fund Balances (Deficit) Beginning of Year (Restated - Note 3)</i>	(1,014,748)	678,506
<i>Fund Balances (Deficit) End of Year</i>	(\$2,057,107)	\$1,040,235

See accompanying notes to the general purpose financial statements

Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$35,812	\$264,537	\$0	\$3,021,299
0	0	0	635,016
0	191,430	0	365,241
0	420,291	0	992,611
0	0	0	247,988
0	249,000	0	2,345,070
0	21,802	54	85,734
0	0	0	887
0	212,233	0	266,915
<u>35,812</u>	<u>1,359,293</u>	<u>54</u>	<u>7,960,761</u>
0	0	0	1,738,672
0	0	0	3,354,714
0	0	0	262,809
0	0	0	624,943
0	0	195	654,166
0	0	0	321,562
0	0	0	215,556
0	1,081,762	0	1,081,762
0	485,549	0	542,136
0	355,627	0	373,045
<u>0</u>	<u>1,922,938</u>	<u>195</u>	<u>9,169,365</u>
35,812	(563,645)	(141)	(1,208,604)
<u>0</u>	<u>2,199,153</u>	<u>5,476</u>	<u>1,868,387</u>
<u>\$35,812</u>	<u>\$1,635,508</u>	<u>\$5,335</u>	<u>\$659,783</u>

City of Girard, Ohio
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund
For The Year Ended December 31, 2001*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$2,955,000	\$2,700,322	(\$254,678)
Property and Other Taxes	236,463	241,769	5,306
Charges for Services	0	0	0
Licenses, Permits and Fees	596,805	528,519	(68,286)
Fines and Forfeitures	0	0	0
Intergovernmental	509,469	743,634	234,165
Interest	125,000	61,570	(63,430)
Contributions and Donations	0	0	0
Other	25,168	53,894	28,726
<i>Total Revenues</i>	<u>4,447,905</u>	<u>4,329,708</u>	<u>(118,197)</u>
Expenditures			
Current:			
General Government	1,534,794	1,733,434	(198,640)
Security of Persons and Property	1,945,506	3,220,344	(1,274,838)
Public Health and Welfare	120,240	150,103	(29,863)
Transportation	27,540	33,075	(5,535)
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	25,856	44,589	(18,733)
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>3,653,936</u>	<u>5,181,545</u>	<u>(1,527,609)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	793,969	(851,837)	(1,645,806)
<i>Fund Balances (Deficit) Beginning of Year</i>	(1,267,092)	(1,267,092)	0
Prior Year Encumbrances Appropriated	9,152	9,152	0
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$463,971)</u>	<u>(\$2,109,777)</u>	<u>(\$1,645,806)</u>

Special Revenue Funds			Capital Projects Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$227,250	\$204,238	(\$23,012)	\$800,000	\$313,236	(\$486,764)
367,696	393,247	25,551	0	0	0
67,750	178,449	110,699	0	178,901	178,901
32,100	43,801	11,701	86,000	402,061	316,061
79,500	247,988	168,488	0	0	0
1,566,498	1,305,393	(261,105)	971,960	251,862	(720,098)
1,700	1,308	(392)	0	21,802	21,802
1,600	887	(713)	0	0	0
19,900	788	(19,112)	0	212,233	212,233
<u>2,363,994</u>	<u>2,376,099</u>	<u>12,105</u>	<u>1,857,960</u>	<u>1,380,095</u>	<u>(477,865)</u>
25,544	21,112	4,432	0	0	0
125,050	106,245	18,805	0	0	0
119,801	111,404	8,397	0	0	0
721,655	616,736	104,919	0	0	0
479,000	653,326	(174,326)	0	0	0
279,875	299,741	(19,866)	0	0	0
199,946	180,838	19,108	0	0	0
0	0	0	342,698	1,321,489	(978,791)
0	0	0	392,464	392,464	0
0	0	0	<u>339,467</u>	<u>339,467</u>	<u>0</u>
<u>1,950,871</u>	<u>1,989,402</u>	<u>(38,531)</u>	<u>1,074,629</u>	<u>2,053,420</u>	<u>(978,791)</u>
413,123	386,697	(26,426)	783,331	(673,325)	(1,456,656)
558,434	558,434	0	2,274,329	2,274,329	0
39,505	39,505	0	8,073	8,073	0
<u>\$1,011,062</u>	<u>\$984,636</u>	<u>(\$26,426)</u>	<u>\$3,065,733</u>	<u>\$1,609,077</u>	<u>(\$1,456,656)</u>

(continued)

City of Girard, Ohio
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Similar Trust Fund (continued)
For The Year Ended December 31, 2001*

	Expendable Trust Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$0	\$0	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Licenses, Permits and Fees	0	0	0
Fines and Forfeitures	0	0	0
Intergovernmental	0	0	0
Interest	90	54	(36)
Contributions and Donations	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>90</u>	<u>54</u>	<u>(36)</u>
Expenditures			
Current:			
General Government	0	0	0
Security of Persons and Property	0	0	0
Public Health and Welfare	0	0	0
Transportation	0	0	0
Community Environment	195	195	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>195</u>	<u>195</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(105)	(141)	(36)
<i>Fund Balances (Deficit) Beginning of Year</i>	5,476	5,476	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$5,371</u></u>	<u><u>\$5,335</u></u>	<u><u>(\$36)</u></u>

See accompanying notes to the general financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$3,982,250	\$3,217,796	(\$764,454)
604,159	635,016	30,857
67,750	357,350	289,600
714,905	974,381	259,476
79,500	247,988	168,488
3,047,927	2,300,889	(747,038)
126,790	84,734	(42,056)
1,600	887	(713)
45,068	266,915	221,847
8,669,949	8,085,956	(583,993)
1,560,338	1,754,546	(194,208)
2,070,556	3,326,589	(1,256,033)
240,041	261,507	(21,466)
749,195	649,811	99,384
479,195	653,521	(174,326)
279,875	299,741	(19,866)
225,802	225,427	375
342,698	1,321,489	(978,791)
392,464	392,464	0
339,467	339,467	0
6,679,631	9,224,562	(2,544,931)
1,990,318	(1,138,606)	(3,128,924)
1,571,147	1,571,147	0
56,730	56,730	0
\$3,618,195	\$489,271	(\$3,128,924)

City of Girard, Ohio
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For The Year Ended December 31, 2001*

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating Revenues			
Charges for Services	\$3,734,591	\$982,493	\$4,717,084
Tap-In Fees	18,311	0	18,311
Other	165,515	0	165,515
<i>Total Operating Revenues</i>	<u>3,918,417</u>	<u>982,493</u>	<u>4,900,910</u>
Operating Expenses			
Personal Services	1,214,895	0	1,214,895
Contractual Services	842,988	63,702	906,690
Claims	0	931,372	931,372
Materials and Supplies	768,743	0	768,743
Depreciation	61,698	0	61,698
Other	96,197	0	96,197
<i>Total Operating Expenses</i>	<u>2,984,521</u>	<u>995,074</u>	<u>3,979,595</u>
<i>Operating Income (Loss)</i>	933,896	(12,581)	921,315
Non-Operating Revenues (Expenses)			
Interest and Fiscal Charges	(36,265)	0	(36,265)
Tap-In Fees	566	0	566
<i>Net Income (Loss)</i>	898,197	(12,581)	885,616
<i>Retained Earnings (Deficit) Beginning of Year (Restated - Note 3)</i>	<u>8,526,546</u>	<u>(36,904)</u>	<u>8,489,642</u>
<i>Retained Earnings (Deficit) End of Year</i>	9,424,743	(49,485)	9,375,258
<i>Contributed Capital at Beginning and End of Year</i>	<u>1,043,104</u>	<u>0</u>	<u>1,043,104</u>
<i>Total Fund Equity (Deficit) End of Year</i>	<u>\$10,467,847</u>	<u>(\$49,485)</u>	<u>\$10,418,362</u>

See accompanying notes to the general purpose financial statements

City of Girard, Ohio
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types
For The Year Ended December 31, 2001*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$3,702,900	\$3,609,736	(\$93,164)
Tap-In Fees	18,000	18,877	877
Other	160,700	165,515	4,815
<i>Total Revenues</i>	<u>3,881,600</u>	<u>3,794,128</u>	<u>(87,472)</u>
Expenses			
Current:			
Personal Services	1,257,874	1,236,698	21,176
Contractual Services	888,599	888,599	0
Claims	0	0	0
Materials and Supplies	828,578	828,578	0
Other	115,107	96,197	18,910
Capital Outlay	5,600	5,550	50
Debt Service:			
Principal Retirement	354,091	15,898	338,193
Interest and Fiscal Charges	27,991	27,991	0
<i>Total Expenses</i>	<u>3,477,840</u>	<u>3,099,511</u>	<u>378,329</u>
<i>Excess of Revenues Over Expenses</i>	403,760	694,617	290,857
<i>Fund Equity Beginning of Year</i>	56,178	56,178	0
<i>Prior Year Encumbrances Appropriated</i>	<u>27,611</u>	<u>27,611</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$487,549</u></u>	<u><u>\$778,406</u></u>	<u><u>\$290,857</u></u>

(continued)

City of Girard, Ohio
*Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
All Proprietary Fund Types (continued)
For The Year Ended December 31, 2001*

	Internal Service Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$815,000	\$982,743	\$167,743
Tap-In Fees	0	0	0
Other	0	0	0
<i>Total Revenues</i>	815,000	982,743	167,743
Expenses			
Current:			
Personal Services	0	0	0
Contractual Services	56,887	63,702	(6,815)
Claims	758,113	919,041	(160,928)
Materials and Supplies	0	0	0
Other	0	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenses</i>	815,000	982,743	(167,743)
<i>Excess of Revenues Over Expenses</i>	0	0	0
<i>Fund Equity Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	0	0	0
<i>Fund Equity End of Year</i>	\$0	\$0	\$0

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,517,900	\$4,592,479	\$74,579
18,000	18,877	877
160,700	165,515	4,815
<u>4,696,600</u>	<u>4,776,871</u>	<u>80,271</u>
1,257,874	1,236,698	21,176
945,486	952,301	(6,815)
758,113	919,041	(160,928)
828,578	828,578	0
115,107	96,197	18,910
5,600	5,550	50
354,091	15,898	338,193
27,991	27,991	0
<u>4,292,840</u>	<u>4,082,254</u>	<u>210,586</u>
403,760	694,617	290,857
56,178	56,178	0
27,611	27,611	0
<u>\$487,549</u>	<u>\$778,406</u>	<u>\$290,857</u>

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City of Girard, Ohio
Combined Statement of Cash Flows
All Proprietary Fund Types
For The Year Ended December 31, 2001

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	\$3,609,736	\$0	\$3,609,736
Tap-In Fees	18,311	0	18,311
Cash Received from Quasi-External Transactions with Other Funds	0	982,743	982,743
Cash Payments to Suppliers for Goods and Services	(787,662)	0	(787,662)
Cash Payments for Contractual Services	(880,325)	(63,702)	(944,027)
Cash Payments for Employee Services and Benefits	(1,194,339)	0	(1,194,339)
Cash Payments to Deferred Compensation-Agency Fund	0	0	0
Cash Payments for Claims	0	(919,041)	(919,041)
Other Cash Receipts	165,515	0	165,515
Other Cash Payments	(96,197)	0	(96,197)
<i>Net Cash Provided by Operating Activities</i>	<u>835,039</u>	<u>0</u>	<u>835,039</u>
Cash Flows from Noncapital Financing Activities			
Advances to Other Funds	(820,765)	0	(820,765)
Cash Flows from Capital and Related Financing Activities			
Purchase of Fixed Assets	(5,550)	0	(5,550)
Tap-In Fees	566	0	566
Principal Payments - OWDA Loans	(15,898)	0	(15,898)
Interest Payments - OWDA Loans	(27,991)	0	(27,991)
Principal Payments - Capital Lease	(40,916)	0	(40,916)
Interest Payments - Capital Lease	(8,274)	0	(8,274)
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(98,063)</u>	<u>0</u>	<u>(98,063)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	<u>(83,789)</u>	<u>0</u>	<u>(83,789)</u>
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>83,789</u>	<u>0</u>	<u>83,789</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

(continued)

City of Girard
Combined Statement of Cash Flows
All Proprietary Fund Types (continued)
For The Year Ended December 31, 2001

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities			
<i>Operating Income (Loss)</i>	\$933,896	(\$12,581)	\$921,315
<i>Adjustments:</i>			
Depreciation	61,698	0	61,698
(Increase)/Decrease in Assets:			
Accounts Receivable	(124,855)	250	(124,605)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(56,374)	0	(56,374)
Contracts Payable	(4,171)	0	(4,171)
Accrued Wages and Benefits	1,625	0	1,625
Compensated Absences Payable	1,762	0	1,762
Intergovernmental Payable	21,458	0	21,458
Claims Payable	0	12,331	12,331
Total Adjustments	<u>(98,857)</u>	<u>12,581</u>	<u>(86,276)</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$835,039</u></u>	<u><u>\$0</u></u>	<u><u>\$835,039</u></u>

See accompanying notes to the general purpose financial statements

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 1 - Reporting Entity and Basis of Presentation

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 and two representatives from the State of Ohio. This Commission was required to adopt a financial recovery plan for the City, and the plan must be updated annually. 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.

A. 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 of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Girard, this includes police protection, fire fighting and prevention, street maintenance and repairs, building inspection and wastewater. The operation of each of these activities is directly controlled by 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 19 of the general purpose financial statements.

B. Basis of Presentation - Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the City are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary.

Governmental Fund Types Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund This fund is the operating fund of the City and is used to account 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 general laws of Ohio.

Special Revenue Funds These funds are established to account for the proceeds of specific revenue sources (other than amounts relating to major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types Proprietary funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The following are the City's proprietary fund types:

Enterprise Funds These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fiduciary Fund Types These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the City's fiduciary fund types:

Expendable Trust Fund This fund is accounted for in essentially the same manner as governmental funds.

Agency Funds These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Account Groups To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

General Fixed Assets Account Group This account group accounts for all general fixed assets of the City other than those accounted for in proprietary funds.

General Long-Term Obligations Account Group This account group accounts for all unmatured long-term indebtedness of the City that is not a specific liability of proprietary funds.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

A. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within thirty-one days of year-end.

Non-exchange 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 period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements and donations is recognized in the fiscal 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 the 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 a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes, interest, grants, fees and rentals.

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

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 December 31, 2001, but which were levied to finance year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget At the first Council meeting in July, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

Appropriations A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

modified during the year only by an ordinance of Council. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

Encumbrances As part of formal budgetary control, purchases orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

C. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The street construction maintenance and repair and state highway special revenue funds, the capital projects fund and the water and sewer enterprise funds made an advance to the general fund, the COPS special revenue fund, and the agency reimbursement agency fund to eliminate the funds' negative cash balances. The general fund, COPS special revenue fund, and the agency reimbursement agency fund have interfund payables for the amount of the advance received from the street construction maintenance and repair and state highway special revenue funds, the capital projects fund and the water and sewer enterprise funds have an interfund receivable for the same amount on the combined balance sheet.

During 2001, investments were limited to nonnegotiable certificates of deposit and repurchase agreements, reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2001 amounted to \$62,570, which includes \$39,395 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City central bank account. These interest bearing depository accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments with an original maturity of three months or less and cash and investments in the cash management pool are considered to be cash equivalents. Investments with an original maturity of more than three months not purchased from the pool are reported as investments.

D. Inventory

Inventories of governmental funds are stated at cost while the inventory of the proprietary funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental fund which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Since the inventory balance at December 31, 2001 was not significant, an amount was not reported on the combined balance sheet.

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

E. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

F. Fixed Assets

General fixed assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental type funds and capitalized (recorded and accounted for) in the general fixed assets account group. Infrastructure fixed assets such as streets, storm sewers and drains, and traffic signals and signs are not capitalized by the City and are not reported as part of the general fixed assets account group.

Fixed assets utilized in the proprietary funds are capitalized in these funds.

Fixed asset values were initially determined at December 31, 1996, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain fixed assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated fixed assets are capitalized at estimated fair market value on the date donated. The City maintains a capitalization threshold of one thousand dollars.

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 useful life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Depreciation of buildings, equipment, vehicles and water and sewer lines in the proprietary fund types is computed using the straight-line method over the following useful lives:

Buildings	15 - 45 years
Equipment	3 - 20 years
Vehicles	5 years
Water and Sewer Lines	50 years

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. For 2001, interest costs incurred on construction projects in the proprietary funds were not material.

G. Accrued Liabilities and Long-term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds, regardless of whether they will be liquidated with current resources. However, claims, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than thirty-one days after year end are considered not to have been made with current expendable available financial resources. Long-term loans and capital leases are recognized as a liability of the general long-term obligations account group until due.

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed 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 accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on the sick leave accumulated and employee's wage rates at December 31, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

I. Contributed Capital

Contributed capital represents resources provided prior to 2001, from other funds of the City, other governments, and private sources to enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. In 2001, as a result from implementing GASB Statement No.33, capital contributions are reported as revenue and included in retained earnings on the operating statements.

J. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Fund balance reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Fund balances are reserved for encumbrances.

K. Estimates

The preparation of 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.

L. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 3 – Changes in Accounting Principles and Restatement of Fund Equity

For the year ended December 31, 2001, the City has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions”, and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues.”

GASB Statements No. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities and expenditure/expenses resulting from nonexchange transactions will be the same whether the accrual or modified accrual basis of accounting is required for revenue recognition to occur on the modified accrual basis, however, the criteria established for accrual basis revenue recognition must be met and the revenue must be available. The provisions of Statement No. 33 also require that capital contributions to proprietary funds be recognized as revenues beginning in 2001. The implementation of these statements had the following effect on fund balances as of December 31, 2000 as previously reported:

	General	Special Revenue	Capital Projects
Fund Balance as Previously Reported	(\$1,184,601)	\$644,308	\$2,175,213
Understatement of Intergovernmental Receivable	169,853	34,198	23,940
Restated Balance December 31, 2000	(\$1,014,748)	\$678,506	\$2,199,153

Restatement of Fund Equity At December 31, 2001, depreciation was understated in the enterprise funds.

The effect of this change on retained earnings is as follows:

	Enterprise
Retained Earnings as Previously Reported	\$8,667,698
Understatement of Depreciation	(141,152)
Restated Balance December 31, 2000	\$8,526,546

Note 4 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances.

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual -All Governmental Fund Types and Similar Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - All Proprietary Fund Types are presented on the budgetary basis to provide a relevant comparison of actual results with the budget and to demonstrate compliance with State statute. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund types (GAAP).
4. For the proprietary fund, the acquisition and construction of capital assets are reported on the operating statement (budget) rather than as balance sheet transactions (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues
Over (Under) Expenditures
All Governmental Fund Types and Similar Trust Fund

	General	Special Revenue	Capital Projects	Debt Service	Expendable Trust
GAAP Basis	(\$1,042,359)	\$361,729	(\$563,645)	\$35,812	(\$141)
Net Adjustment for Revenue Accruals	132,826	7,379	20,802	(35,812)	0
Net Adjustment for Expenditure Accruals	61,266	27,021	(127,737)	0	0
Encumbrances	(3,570)	(9,432)	(2,745)	0	0
Budget Basis	(\$851,837)	\$386,697	(\$673,325)	\$0	(\$141)

Net Income (Loss) Excess of Revenues Over Expenses and Operating Transfers
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	\$898,197	(\$12,581)
Net Adjustment for Revenue Accruals	(124,855)	250
Net Adjustment for Expense Accruals	(87,716)	12,331
Principal Retirement	(15,898)	0
Capital Outlay	5,550	0
Depreciation	61,698	0
Encumbrances	(42,359)	0
Budget Basis	\$694,617	\$0

Note 5 - Accountability and Compliance

A. Fund Deficits

The following funds had deficit fund balances/retained earnings as of December 31, 2001:

General Fund	\$2,057,107
COPS Special Revenue Fund	114,265
Health Insurance Internal Service Fund	49,485

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

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

The deficit in the special revenue fund arose due to the recognition of accrued liabilities. The general fund provides transfers to cover deficit balances; however this is done when cash is needed rather than when accruals occur.

The internal service fund retained earnings deficit resulted from the application of generally accepted accounting principles. The City will review the operations to determine what steps need to be taken to insure that the fund is self-sustaining.

B. Legal Compliance

The following fund had total appropriations in excess of estimated resources plus carryover balances in violation of Section 5705.39, Ohio Revised Code:

Fund Type/Fund	Estimated Resources	Appropriations	Excess
General Fund	\$4,457,057	\$4,921,028	(\$463,971)

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

Fund Type/Fund	Appropriations	Expenditures plus Encumbrances	Excess
General Fund:			
General Government			
Income Tax			
Personal Services	\$184,400	\$213,339	(\$28,939)
Materials and Supplies	46,725	50,765	(4,040)
Other	8,000	9,038	(1,038)
Mayor			
Personal Services	11,000	11,408	(408)
Legal			
Personal Services	51,060	72,841	(21,781)
Materials and Supplies	680	896	(216)
Finance			
Materials and Supplies	12,200	27,735	(15,535)
Civil Service			
Personal Services	71,960	80,925	(8,965)
Engineering			
Personal Services	29,200	62,004	(32,804)
City Hall			
Materials and Supplies	60,580	121,269	(60,689)
Miscellaneous			
Personal Services	27,920	74,118	(46,198)
Materials and Supplies	36,664	110,529	(73,865)
Security of Persons and Property			
Police Department			
Personal Services	957,320	1,662,491	(705,171)
Materials and Supplies	65,410	144,885	(79,475)

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Fund Type/Fund	Appropriations	Expenditures plus Encumbrances	Excess
Fire Department			
Personal Services	\$867,096	\$1,331,252	(\$464,156)
Materials and Supplies	33,280	49,743	(16,463)
Contractual Services	22,400	31,973	(9,573)
Public Health and Welfare			
Health Department			
Personal Services	115,760	143,936	(28,176)
Materials and Supplies	4,480	6,167	(1,687)
Transportation			
Elderly Transportation			
Personal Services	27,540	33,075	(5,535)
Leisure Time Activities			
Lakes			
Personal Services	14,656	21,387	(6,731)
Materials and Supplies	11,200	23,202	(12,002)
<i>Special Revenue Funds:</i>			
Garbage			
Basic Utility Services	279,875	299,741	(19,866)
Elderly Bus Fare			
Transportation	3,625	5,803	(2,178)
Community Development Block Grant			
Community Environment	18,000	73,795	(55,795)
CHIP/CHIS			
Community Environment	340,000	384,584	(44,584)
Fire Pension			
Security of Persons and Property	30,775	31,436	(661)
Police Pension			
Security of Persons and Property	30,775	31,244	(469)
Indigent Drivers			
Community Environment	49,000	54,399	(5,399)
Municipal Probation			
General Government	72,000	140,548	(68,548)
<i>Capital Projects Funds:</i>			
Capital Improvement			
Capital Outlay	226,698	985,240	(758,542)
Municipal Court			
Capital Outlay	116,000	163,165	(47,165)
<i>Health Insurance Internal Service Fund</i>			
Contractual Services	56,887	63,702	(6,815)
Claims	758,113	919,041	(160,928)

In order to eliminate the budgetary violations, appropriations will be monitored more closely.

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

The following funds had negative cash balances as of December 31, 2001 contrary to Ohio Revised Code Section 5705.10:

General Fund	\$2,106,207
COPS Special Revenue Fund	127,265
Home Health Nursing Special Revenue Fund	2,372
Capital Improvement Building Fund	456,073
Agency Reimbursement Fund	41,434

Contrary to Ohio Revised Code Section 5705.41 (D) the City did not properly certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund fee from any previous encumbrance for a significant portion of their 2001 expenditures.

The City of Girard defaulted on loan payments owed in relation to the Cooperative Agreement for Construction, Maintenance and Operation of Title II Construction Project and the Cooperative Agreement for Construction, Maintenance and Operation of State Water Project with the Ohio Water Development Authority (OWDA) dated March 6, 1986 and April 27, 1995.

Note 6 - Deposits and Investments

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies 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 two 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality, including but not limited to, the 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 the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligation of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
6. The State Treasurer's investment pool (STAR Ohio).

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year-end, the carrying amount of the City's deposits was \$294,341 and the bank balance was \$1,836,318. \$383,681 of the bank balance was covered by federal depository insurance. \$1,452,637 was uninsured and uncollateralized. The deposits were secured by pooled collateral held by the financial institution in the financial institution's name. All statutory requirements for the deposit of money had been followed. Non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name.

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$1,094,453	\$1,094,453	\$1,094,453

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust funds and Governmental Entities that Use Proprietary Fund Accounting."

A reconciliation between the classification of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$1,388,794	\$0
Investments Which are Part of a Cash Management Pool:		
Repurchase Agreement	(1,094,453)	1,094,453
GASB Statement No. 3	\$294,341	\$1,094,453

Note 7 - 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 2001 for real and public utility property taxes represents collections of 2000 taxes. Property tax payments received during 2001 for tangible personal property (other than public utility property) is for 2001 taxes.

The 2001 real property taxes are levied after October 1, 2001 on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2001 real property taxes are collected in and intended to finance 2002.

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. 2001 public utility property taxes became a lien December 31, 2000, are levied after October 1, 2001, and collected in 2002 real property taxes.

The 2001 tangible personal property taxes are levied after October 1, 2000 on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are 25 percent of true value.

Real Property	\$97,128,270
Public Utility Property	6,944,650
Tangible Personal Property	14,257,221
Total Valuation	\$118,330,141

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

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Girard. The County Auditor periodically remits to the City its portion of the taxes. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2001 and for which is an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31, nor are they intended to finance 2001 operations. The receivable is offset by deferred revenue.

Note 8 - Receivables

Receivables at December 31, 2001, primarily consisted of accounts (billings for user charged services including unbilled utility services), interfund, intergovernmental receivables arising from grants, entitlements and shared revenues and interest on investments. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
General Fund:	
Local Government	\$218,041
Permissive Tax	3,926
<i>Total General Fund</i>	<u>221,967</u>
Special Revenue Funds:	
Street Construction	370,050
State Highway	29,947
Street Permissive	67,357
Garbage	17,378
Elderly Bus Fare	4,426
Law Enforcement	25
Community Block	5,500
CHIPS	14,747
COPS	13,000
Police Pension	1,954
Fire Pension	1,954
Indigent Drivers	308
Cemetery	1,303
Municipal Probation	27,476
<i>Total Special Revenue Funds</i>	<u>555,425</u>
Capital Projects Funds:	
Capital Improvements	24,036
Municipal Court Computer	18,230
<i>Total Capital Projects Funds</i>	<u>42,266</u>
<i>Total</i>	<u>\$819,658</u>

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 9 - Income Tax

The City levies a municipal income tax of 2 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 two percent 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: 83.0 percent to the general fund, 6.5 percent to the recreation special revenue fund, 5.0 percent to the street utilities special revenue fund, and 5.5 percent to the capital projects fund.

Note 10 - Contingencies

A. Grants

The City receives 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, 2001.

B. Litigation

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

Note 11 - Fixed Assets

A summary of the enterprise fund's fixed assets as of December 31, 2001, follows:

Land and Improvements	\$4,187,169
Buildings	9,584,971
Equipment	178,826
Vehicles	113,636
Water and Sewer Lines	929,653
Total	<u>14,994,255</u>
Less: Accumulated Depreciation	<u>(1,034,352)</u>
Net Fixed Assets	<u><u>\$13,959,903</u></u>

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

A summary of changes in general fixed assets follows:

	Balance January 1, 2001	Additions	Deductions	Balance December 31, 2001
Land and Improvements	\$1,058,033	\$1,000	\$0	\$1,059,033
Buildings	4,829,493	2,530	0	4,832,023
Equipment	1,871,446	6,195	0	1,877,641
Vehicles	1,420,889	0	1,000	1,419,889
Total	\$9,179,861	\$9,725	\$1,000	\$9,188,586

Note 12 - Note Payable

Changes in the City's note activity for the year ended December 31, 2001, were as follows:

	Outstanding January 1, 2001	Additions	(Reductions)	Outstanding December 31, 2001
Capital Improvement -5.34% Matures July 7, 2004	\$37,142	\$0	(\$9,286)	\$27,856

The note is backed by the full faith and credit of the City. The note liability is reflected in the capital projects fund, the fund which received the proceeds.

Year	Amount
2002	\$10,773
2003	10,278
2004	9,780
Total Principal and Interest	30,831
Less: Interest	(2,975)
Total Principal	\$27,856

Note 13 - Long-Term Obligations

The original issuance amounts for the City's long-term obligations are as follows:

Debt Issue	Original Issue Amount	Year of Maturity
Enterprise Funds:		
Ohio Water Development Authority Loans:		
Water Distribution	\$441,086	2017
Lakes Project	2,513,646	2015
Liberty Water	47,158	2017
Sewer Plant	4,267,088	2007
General Long-term Obligations:		
Ohio Public Works Commission Loan	171,897	2019
Justice Center Note	4,000,000	2019
Street Widening Note	2,500,000	2020

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Changes in long-term obligations of the City during 2001 were as follows:

	Outstanding January 1, 2001	Additions	(Reductions)	Outstanding December 31, 2001
Enterprise Fund Obligations:				
<i>Ohio Water Development Authority Loans</i>				
1998 - 6.36%				
Water Distribution	\$397,297	\$0	\$14,320	\$382,977
1996 - 6.87%				
Lakes Project	2,113,584	0	0	2,113,584
1997 - 6.36%				
Liberty Water	41,734	0	1,578	40,156
1988 - 8.48%				
Sewer Plant	2,178,846	0	0	2,178,846
<i>Total Ohio Water Development Authority Loans</i>	<u>4,731,461</u>	<u>0</u>	<u>15,898</u>	<u>4,715,563</u>
Capital Leases	155,774	0	40,916	114,858
<i>Total Enterprise Fund Obligations</i>	<u>4,887,235</u>	<u>0</u>	<u>56,814</u>	<u>4,830,421</u>
General Long-Term Obligations:				
<i>Notes Payable</i>				
Justice Center - 5.41%	3,989,918	0	124,583	3,865,335
Street Widening - 5.75%	2,244,984	0	0	2,244,984
<i>Total Notes Payable</i>	<u>6,234,902</u>	<u>0</u>	<u>124,583</u>	<u>6,110,319</u>
<i>Contract Payable</i>				
Ohio Edison	0	900,000	250,000	650,000
Compensated Absences	805,471	0	47,867	757,604
Intergovernmental Payable	143,233	147,506	143,223	147,506
Fire and Police Pension Liability	309,183	0	4,076	305,107
Capital Leases	409,238	0	154,882	254,356
OPWC Loans – 0%	159,006	0	8,595	150,411
<i>Total General Long-Term Obligations</i>	<u>8,061,033</u>	<u>1,032,506</u>	<u>733,226</u>	<u>8,360,303</u>
<i>Total All Types</i>	<u>\$12,948,268</u>	<u>\$1,032,506</u>	<u>\$790,040</u>	<u>\$13,190,734</u>

The justice center and street widening notes are payable monthly from the permanent improvement capital projects fund. Compensated absences and intergovernmental payables reported in the accounts will be paid from the fund from which the employees' salaries are paid. The City pays installments on the police and fire pension liability incurred when the State of Ohio established the statewide pension system for police and firemen in 1967. The liability is paid semi-annually from the Police Pension and Fire Pension special revenue funds. Payment is made from unvoted property tax revenues. Capital leases were paid from various revenues from the general, special revenue, capital projects, and enterprise funds. OWDA loans will be paid from water and sewer enterprise fund user service charges. OPWC loans and notes payable will be paid with monies from Capital Improvements capital projects fund.

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

The City's overall legal debt margin was \$23,464,626 at December 31, 2001. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2001, are as follows:

Year	Ohio Water Development Authority	Ohio Public Works Commission	Fire and Police Pension Liability	Notes Payable
2002	\$861,924	\$8,594	\$17,173	\$526,941
2003	861,924	8,594	17,173	526,941
2004	861,924	8,594	17,173	526,941
2005	861,924	8,594	17,173	526,941
2006	861,924	8,594	17,173	526,941
2007-2011	1,685,103	42,970	85,865	2,634,705
2012-2016	1,041,173	42,970	85,865	2,634,705
2017-2021	19,784	21,501	85,865	1,770,386
2022-2026	0	0	85,865	0
2027-2031	0	0	85,865	0
2032-2036	0	0	85,865	0
2037-2041	0	0	18,173	0
Total Principal and Interest	7,055,680	150,411	619,228	9,674,501
Less Interest	2,340,117	0	314,121	3,564,182
Total Principal	<u>\$4,715,563</u>	<u>\$150,411</u>	<u>\$305,107</u>	<u>\$6,110,319</u>

Note 14 - 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 hired before January 1, 1990, can be paid a maximum of 960 hours of accumulated, unused sick leave. Employees hired after January 1, 1990, can be paid a maximum of 650 hours. As of December 31, 2001, the liability for unpaid compensated absences was \$959,742 for the entire City.

Note 15 - Defined Benefit Pension Plans

A. Public Employees Retirement System

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For 2001 employer contribution rate for the City was 9.25 percent of covered payroll, increased from 6.54 percent in 2000. Contributions are authorized by State statute. The contribution rates are determined

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000 and 1999 were \$243,239, \$167,656, and \$225,596 respectively. The full amount has been contributed for 2000 and 1999. 84.26 percent has been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. 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 by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215 - 5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12 percent for police and 16.5 percent for firefighters. For 2001, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$125,611 and \$127,351 for the year ended December 31, 2001, \$125,354 and \$139,562 for the year ended December 31, 2000, \$126,404 and \$131,210 for the year ended December 31, 1999. The full amount has been contributed for 1999 and 1998. 73.67 percent and 71.10 percent, respectively, have been contributed for 2001 with the remainder being reported as a liability in the general long-term obligations account group.

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, 2001, the unfunded liability of the City was \$305,107 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary. The liability is reported in the general long-term obligations account group.

Note 16 - Postemployment Benefits

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care. Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$110,444. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.6 million and \$2,628.7 million, respectively.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.5 percent of covered payroll was applied to the postemployment health care program during 2001. For 2000, the percent used to fund healthcare was 7.25 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$78,507 for police and \$57,887 for fire. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

Note 17 - Risk Management

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 2001, the City contracted for various types of insurance as follows:

Company	Type	Coverage
Love Insurance, Inc.	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	646,584
	Real and Personal Property	19,120,770
	Inland Marine	980,181
	Business Electronic Equipment	131,369
	Commercial Crime	10,000
	Bonds - Employees and Officials	10,000

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

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.

The City has elected to provide medical benefits to its employees through a self insured program. The maintenance of these benefits are accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$100,000 per individual and \$1,000,000 for the City as a whole. Incurred but not reported claims of \$16,418 have been accrued as a liability based on a review of January, 2001 billings provided by the City Auditor's Office.

The claims liability of \$49,485 reported in the internal service funds at December 31, 2001 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 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 1999, 2000 and 2001 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1999	\$57,578	\$716,422	\$754,646	\$19,354
2000	19,354	926,928	909,128	37,154
2001	37,154	931,372	919,041	49,485

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 18 - Segment Information

The City's enterprise funds account for the provision of sewer and water services. The table below reflects, in a summarized format, the more significant data relating to the enterprise funds of the City of Girard as of and for the year ended December 31, 2001:

	Sewer Fund	Water Fund	Total
Operating Revenues	\$1,752,918	\$2,165,499	\$3,918,417
Depreciation Expense	15,745	45,953	61,698
Operating Income	678,788	255,108	933,896
Net Income	678,788	219,409	898,197
Fixed Asset Additions	3,600	1,950	5,550
Net Working Capital	719,884	618,481	1,338,365
Total Assets	12,462,932	3,252,600	15,715,532
Long-Term Liabilities	2,250,736	2,749,787	5,000,523
Total Equity	10,135,242	332,605	10,467,847
Encumbrances	41,495	864	42,359

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Note 19 - Jointly Governed Organizations

A. Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is committed to foster 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 2001, the City contributed \$3,956 to the Eastgate Development and Transportation Agency.

B. Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 2001, the City contributed \$4,663 to the Emergency Management Agency.

Note 20 - Capital Leases

In prior years, the City entered into capitalized leases for the acquisition of computers and vehicles. The computer lease is accounted for as an expenditure in the general fund with offsetting amounts reported as other financing sources. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the general purpose financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group or the enterprise funds in an amount equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group or enterprise funds.

The following schedule is an analysis of equipment leased under capital leases as of December 31, 2001:

	General Fixed Assets	Enterprise
Equipment	\$2,949,946	\$189,620
Less: Accumulated Depreciation	0	(15,000)
Carrying Value	\$2,949,946	\$174,620

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2001:

<u>Year</u>	<u>General Long-Term Obligations</u>	<u>Enterprise</u>
2002	\$148,888	\$49,638
2003	88,674	38,712
2004	39,334	38,712
Total minimum lease payments	276,896	127,062
Less: Amount representing interest	(22,540)	(12,204)
Present value of minimum lease	<u>\$254,356</u>	<u>\$114,858</u>

Note 21 - Interfund Transactions

Interfund balances at December 31, 2001, consist of the following interfund receivable and payables:

	<u>Receivable</u>	<u>Payable</u>
General Fund:	\$0	\$2,106,207
Special Revenue Funds:		
Street Construction	9,704	0
State Highway	71,109	0
COPS	0	127,265
<i>Total Special Revenue Funds:</i>	<u>80,813</u>	<u>127,265</u>
Capital Projects Funds	1,364,950	0
Enterprise Funds:		
Water Enterprise Fund	413,951	0
Sewer Enterprise Fund	406,814	0
<i>Total Enterprise Funds:</i>	<u>820,765</u>	
Agency Reimbursement Agency Fund	0	33,056
<i>Total</i>	<u>\$2,266,528</u>	<u>\$2,266,528</u>

Note 22 – Fiscal Distress

In accordance with Ohio Revised Code Chapter 118, the City was placed under fiscal emergency by the Auditor of State on August 8, 2001. During the year ending December 31, 2001 the City defaulted on payment towards two loans outstanding with the Ohio Water Development Authority (OWDA). The Ohio Water Development Authority has renegotiated the terms on the outstanding debt as of December 31, 2001.

Note 5 (B) states the negative cash fund balances at December 31, 2001. The following are the current negative cash fund balances as of July 31, 2002:

General Fund	(\$1,012,559)
Capital Improvement Building Fund	(460,596)
Agency Reimbursement Fund	(38,632)

City of Girard, Ohio
Notes to The General Purpose Financial Statements
For The Year Ended December 31, 2001

Under Chapter 118 a Financial Planning and Supervision Commission was established on September 25, 2001 to oversee all fiscal decisions and activities of the City. The Commission analyzed fund operations to determine appropriate steps to alleviate the deficits and developed a fiscal plan to define the appropriate steps the City will use to alleviate the deficits. The current fiscal plan approved by the Financial Planning and Supervision Commission on May 21, 2002 defined the following actions for the City:

- A) The City should develop a balanced tax budget for the year ending December 31, 2002.
- B) The City should increase operating revenues by:
 - 1. Increasing building permit fees, water and sewer rates, recreation fees and charges for fingerprinting and accident reports.
 - 2. Taking actions to reduce delinquent balances within the water and sewer department and the income tax department.
 - 3. Seeking reimbursement for services provided to other area governmental agencies.
 - 4. Selling of nonessential City property and equipment.
 - 5. Increasing the allocation of income tax collections to the General Fund.
 - 6. Placing an operating levy for City operations on the ballot.
- C) The City should reduce costs of the City by reducing the current work force and still provide the essential services of the City, eliminating non-essential expenditures, negotiating lower rates with businesses that provide services for the City, reallocating expenditures incurred to alternative funding sources, and reviewing the possibility of restructuring current outstanding debt.
- D) The City should conform to the Ohio Revised Code requirements regarding tax budgets and appropriations.
- E) The City should prepare a five year forecast in accordance to the standards issued by the Auditor of State.

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**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED December 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant			
Community Housing Improvement Program	A-C-99-127-1	14.228	159,704
Fiscal Year Formula Grant	A-C-99-127-1	14.228	73,795
Sub-Total Community Development Block Grant			233,499
HOME Investment Partnership Program	A-C-99-127-2	14.239	213,684
HOME Investment Partnership Program	A-C-01-127-2	14.239	11,196
Sub-Total Home Investment Partnership Program			224,880
Total U.S. Department of Housing and Urban Development			458,379
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Department of Justice:</i>			
Community Oriented Policing Services	95-CF-WX-2347	16.710	43,565
Total U.S. Department of Justice			43,565
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Health and Human Service:</i>			
Area Agency on Aging		93.044	5,545
Total U.S. Department of Health and Human Services			5,545
Total			\$507,489

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

**CITY OF GIRARD
TRUMBULL COUNTY
FISCAL YEAR ENDED DECEMBER 31, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—MATCHING REQUIREMENTS

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED
BY GOVERNMENT AUDITING STANDARDS**

Members of Council
City of Girard
100 West Main Street
Girard, Ohio 44420

We have audited the financial statements of the City of Girard, Trumbull County, Ohio (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 22, 2002, wherein we noted conditions raising substantial doubt about the City's ability to continue as a going concern. We have also qualified the report due to the lack of evidential matter related to the charges for services revenue in the capital projects fund type for the year ending December 31, 2001. The City also adopted *Governmental Accounting Standards* Board Statement 33. Except as discussed in the second proceeding 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Girard's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported herein under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-21178-001 through 2001-21178-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 22, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Girard's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Girard's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2001-21178-006 through 2001-21178-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 2001-21178-006 and 2001-21178-007 to be material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City of Girard in a separate letter dated July 22, 2002.

This report is intended for the information and use of the management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

July 22, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Members of Council
City of Girard
100 West Main Street
Girard, Ohio 44420

Compliance

We have audited the compliance of the City of Girard with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The City of Girard's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Girard's management. Our responsibility is to express an opinion on the City of Girard'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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City of Girard's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Girard's compliance with those requirements.

In our opinion, the City of Girard complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2001-21178-008. We also noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the City of Girard in a separate letter dated July 22, 2002.

Internal Control Over Compliance

The management of the City of Girard is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Girard's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, City Council, and federal awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and "P".

Jim Petro
Auditor of State

July 22, 2002

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**CITY OF GIRARD
TRUMBULL COUNTY
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions 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?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 14.239-- Home Improvement Partnerships Program (HOME)
<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?	Yes

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

Finding Number	2001-21178-001
-----------------------	----------------

Ohio Rev. Code Section 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. As of December 31, 2001 the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	3,653,936	5,181,545	(1,527,609)
Garbage Fund	279,875	299,741	(19,866)
Special Restaurant Lic. Fund	5,000	5,960	(960)
Condemned Homes Fund	5,230	7,761	(2,531)
Elderly Bus Fare Fund	3,625	5,545	(1,920)
Community Block Grant Fund	18,000	73,795	(55,795)
CHIPS/CHIS Account Fund	340,000	384,584	(44,584)
Fire Pension Fund	30,775	31,436	(661)
Police Pension Fund	30,775	31,244	(469)
Indigent Drivers Fund	49,000	54,399	(5,399)
Cemetery Fund	87,515	98,146	(10,631)
Municipal Probation Fund	72,000	140,548	(68,548)
Capital Improvement Project Fund	65,000	132,043	(67,043)
Capital Improvement Building Fund	337,379	642,582	(305,203)
Capital Improvement Street Utilities Fund	116,000	582,569	(466,569)
Court General Special Projects Fund	100,000	240,509	(140,509)
Municipal Court Computer Fund	116,000	163,165	(47,165)
Ohio Public Works Grant Funds	0	173,084	(173,084)
Water Deposits Fund	25,000	26,251	(1,251)
Ambulance Hospitalization Fund	815,000	912,633	(97,633)

The City should establish control procedures to provide assurance that requirements established by Ohio Revised Code are adhered to.

Finding Number	2001-21178-002
-----------------------	----------------

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund should not exceed the total estimated revenue.

The General Fund had the following variance in 2001:

Estimated Resources	Appropriations	Variance
\$3,189,965	\$3,653,936	(463,971)

The City Auditor's Office should monitor appropriations set for the year to help ensure that they do not exceed the total estimated resources available for the year.

Finding Number	2001-21178-003
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Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal office must certify that the amount required to meet such a commitment 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. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the City may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars the fiscal officer may issue a warrant upon completing a then and now certificate, but may authorize it to be paid without affirmation of the City Council, if such expenditure is otherwise valid.

For 48% of the expenditures tested, certification was not obtained before the expenditures were incurred and neither of the exceptions above was utilized. Finding #2001-21178-001 lists nineteen funds whose expenditures exceeded the appropriations. These expenditures all exceeded appropriations. Therefore, they could not have been properly certified by the fiscal officer and neither of the two exceptions detailed above would have been applied.

The City should discontinue the practice of making expenditures without the proper certification as described above. A formal policy should be adopted and procedures implemented to reduce the risk that expenditures could be made without the proper certification.

Finding Number	2001-21178-004
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Ohio Rev. Code Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenditures of another fund.

Contrary to the section described above, the City had negative cash fund balances as of December 31, 2001 in the following funds:

General Fund	(\$2,106,207)	Cops Grant Fund	(127,265)
Home Health Nursing	(2,372)	Capital Imp. Bldg. Fund	(456,073)
Agency Reimbursement Fund	(41,434)		

The non-compliance issues described in the preceding paragraphs are direct results of the lack of budgetary compliance and controls as reported in Findings numbered 2000-21178-001 through 2000-21178-003.

The City should establish procedures and policies that will strengthen the internal control over budgetary compliance.

Finding Number	2001-21178-005
-----------------------	----------------

The City of Girard entered into a **Cooperative Agreement for Construction, Maintenance, and Operation of Title II Construction Project** with the Ohio Water Development Authority (OWDA) dated March 6, 1986. Also on April 27, 1995, the City of Girard entered into a **Cooperative Agreement for Construction, Maintenance, and Operation of State Water Project** with the OWDA. The following requirements are outlined in these agreements:

- A. Section 4.1 states that the City is required to pay the scheduled semi-annual amount on January 1 and July 1 of each year of the contract period to the OWDA from the revenues of the City's water and sewer utilities.
- B. Section 4.2 states that the City will receive an invoice from OWDA during the first fifteen days of June and December and payment shall be made by the City no later than the first day of the following month.
- C. Section 4.3(a) states that the City should at all times prescribe and charge such rates for the services of the City's utility that will meet the obligation of the agreements after all other utilities expenditures have been paid.

The City did not pay debt payments owed on July 1, 2001 for both of the above stated debt agreements. The payments due on July 1, 2001 and the total amount of debt defaulted are listed below:

Debt Agreement	Principal and Interest Payments due July 1, 2001	Outstanding balance July 1, 2001
Construction, Maintenance, and Operation of Title II Construction Project	\$255,125.18	\$2,178,845.84
Construction, Maintenance, and Operation of State Water Project	\$117,438.80	\$2,113,585.21

The City renegotiated both agreements with OWDA during fiscal year 2002 and alternative payment schedules have been established. The City Officials should monitor utility revenue sources and take the appropriate actions necessary to ensure that all utility expenditures and debt related to utility projects are adequately funded.

Finding Number	2001-21178-006
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Material Weakness- Fixed Asset Listing

The following internal control weaknesses were noted related to the City's fixed asset accounting:

- A. A complete fixed asset listing for the General Fixed Asset Account Group and the Enterprise Fund fixed assets is not maintained by the City. The list used to support the fixed asset balances on the financial statements was compiled during the GAAP conversion process in 1997. The City officials do not maintain a fixed asset list for their reference that states the acquisition cost of each asset, states the location of the assets (buildings, departments, etc.), accounts for annual changes, and accounts for the changes in asset values due to renovations or replacements incurred.
- B. The City does not have a system in place to identify fixed asset purchases and deletions throughout the year.

Finding Number	2001-21178-006 (continued)
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- C. The City does not maintain any type of inventory identification system for capitalized items, such as inventory tag numbers.

The above weaknesses can result in inaccurate reporting of fixed assets on the City's financial statements and an inability to manage and monitor the City's fixed assets in an effective manner.

To help ensure the fixed assets are reported accurately:

- A. The City should conduct a complete physical inventory and construct an accurate fixed asset listing. Also, the City should develop policies and procedures for periodically conducting a physical inventory with reconciliation of the inventory to the fixed asset listing.
- B. The City should establish a system in which City departments notify the City Auditor's office of any fixed assets acquired and fixed assets disposed of. The written notifications should be used to make yearly updates to the fixed asset listing maintained by the City Auditor's office.
- C. The City should identify all capitalized fixed assets by assigning inventory tag numbers and including this identification number as part of the fixed asset listing.

Finding Number	2001-21178-007
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Material Weakness- Ambulance Billing Receipts

The City utilizes an independent service organization, J & H Medical Services, to process ambulance run billings, a significant accounting function, on behalf of the City. The following control weaknesses were noted in the ambulance billing and collection cycle of the City:

- A. J & H Medical Services provides monthly reports to the City for its review. The reports list all billings processed on behalf of the City. These reports are not being utilized by the City personnel to monitor whether ambulance runs are being properly billed and collected.
- B. All billing receipts are collected by the City's Fire Department and recorded on the Fire Department's records. Then these payments are forwarded to J & H Medical Services for the purpose of updating their records. Finally the collections are mailed back to the City to be deposited and recorded by the City Auditor's Office.
- C. The City has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that ambulance billings have not been completely and accurately processed in accordance to the established contract between the City and J & H Medical Services.

The above weaknesses can result in incomplete collection of ambulance receipts and untimely recognition of ambulance billing collections by the City.

To help ensure that ambulance receipts are accurately reported, we recommend the following:

- A. The City's Fire Department should monitor the billing reports received from J & H Medical Services to help ensure that all runs are billed for the proper amount, the ambulance runs billed agree to the ambulance run documentation maintained by the City's Fire Department, and all ambulance runs processed and billed are subsequently collected by the City from the appropriate payers (insurance companies, etc.),

Finding Number	2001-21178-007 (continued)
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- B. The City should establish procedures with J & H Medical Services to ensure that receipts are recorded and deposited by the City the same date as received (or within one business day). One option the City could consider is to send J & H Medical Services documentation of the collections to be used to update J & H Medical Service's records. A second option is to have J & H Medical Services collect all the receipts directly and update their records. J & H Medical Services could either deposit the receipts directly into the City's bank account or forward a payment for the total amount collected to the City for deposit.
- C. The City should implement procedures to reasonably assure the completeness and accuracy of ambulance billings processed by its third-party administrator, J & H Medical Services. Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Test of Operating Effectiveness" in accordance with SAS No. 70, should provide the City with an appropriate level of assurance that ambulance billings are being processed in conformance with the contract.

The City should specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be preformed. The City should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide the City with a Tier II SAS 70 report, the City should contract with a third-party administrator that will provide such a report.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. Project Request Procedures

Finding Number	2001-21178-008
CFDA Title and Number	Home Improvement Partnerships Program (HOME) CFDA # 14.239
Federal Award Number / Year	A-C-99-127-2, August 1, 1999 to July 31, 2001
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Finding

The **Office of Housing and Community Partnerships (OHCP) Financial Management Rules and Regulations Handbook Section (A)(3)(f)** states that grantees must develop a cash management system to ensure that disbursement of requested funds are made within 15 days. The 15 day rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt of grant funds. Lump sum draw down requests are not permitted.

The City of Girard did not request HOME receipts in 2001 based on actual expenditures to be paid within 15 days of the collection of the requested funds. Below is a schedule of the 2001 draw downs requests, the associated expenditures within 15 days, and the remaining balance of each draw down.

Draw Down Date	Amount Received	Amount Expended within 15 days	Balance
1/31/2001	\$27,423.21	\$14,401.00	\$13,022.21
2/28/2001	64,605.00	17,933.95	46,671.05
4/30/2001	89,390.00	49,019.29	40,370.71
5/31/2001	3,000.00	28,028.44	(25,028.44)
6/29/2001	53,133.62	32,202.00	20,931.62
7/31/2001	2,800.00	38,622.53	(35,822.53)

The preceding table demonstrates that the City requested lump sum draw downs on various dates throughout 2001 and maintained excessive cash balances contrary to the requirements outlined above.

The City Auditor and CT Consultants (Administrator of the City's CDBG and CHIP program activities), should develop policies and procedures to ensure that the City complies with this requirement. These procedures should ensure that draw down requests are only filed for the exact amount needed for approved HOME expenditures and that checks are issued to the appropriate parties within 15 days of the collection of the requested funds.

**CITY OF GIRARD
TRUMBULL COUNTY
JANUARY 1, 2000 THROUGH DECEMBER 31, 2000**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2000-21178-001	<p><u>Actual Expenditures Exceed Appropriations:</u> Ohio Rev Code, Section 733.13 places responsibility for not expending money unless appropriated with the City Auditor.</p> <p>Ohio Rev Code, Section 5705.41 (B), states no money shall be expended unless it has been appropriated.</p>	No	This finding was reissued as finding # 2001-21178-001.
2000-21178-002	<p><u>Estimated Revenues Greater than Actual Receipts:</u> Ohio Rev Code Section 5705.36, provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.</p>	Yes	
2000-21178-003	<p><u>Proper Certification:</u> Ohio Rev Code Section 5705.41 (D), states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.</p>	No	This finding was reissued as finding #2001-21178-003
2000-21178-004	<p><u>Negative Fund Balances:</u> Ohio Rev Code Section 733.13, prohibits the City Auditor from issuing a voucher for payment unless sufficient funds are in the treasury and Ohio Rev Code Section 5705.10 , states money paid into a fund must be used only for the purpose for which such funds has been established.</p>	No	This finding was reissued as finding # 2001-21178-004
2000-21178-005	<p><u>Post All Financial Transactions:</u> Ohio Rev Code Section 733.11, requires the City Auditor, to keep accurate statements of all monies received and expended, of all property owned by the City and the income derived therefrom.</p>	Yes	

2000-21178-006	<u>Payments Made by Bank "Official Checks":</u> <u>Ohio Rev Code Section 705.08</u> , states the Treasurer shall be the custodian of moneys of the municipal corporation, and shall keep the moneys in such a manner and in such a place as is determined by the legislative authority thereof, He shall pay out money only on warrants issued by the Auditor.	Yes	
2000-21178-007	<u>Proper Approval of Change Orders:</u> <u>Ohio Rev Code Section 735.07</u> , requires alterations or modifications of contracts to be made upon the order of the director of public service, and approved by the board of control.	Yes	
2000-21178-008	<u>Proper authorization of contracts/purchase agreements over \$15,000.- Ohio Rev. Code Section 735.05</u> , requires all contracts/purchase agreements which exceed 15,000 to be authorized and directed by ordinance of City Council	Yes	
2000-21178-009	<u>Legislative approval of expenditures in Executive Sessoin—Ohio Rev. Code 735.05, 735.051, & 121.22</u> —requires all contracts over \$15,000 to be authorized by the legislative authority must be adopted in an open meeting of the public body.	Yes	
2000-21178-010	Actual financial reporting of financial decisions as stated by the legislative authority did not agree with the following City Ordinances—City Ord. #7104-00, City Ord. #6998-99, City Ord. #7014-99, & City Ord. #7028-99	Yes	
2000-21178-011	Finding for Adjustment to Capital Improvement Street Utilities Fund from the General Fund—City Ord. #7138-00	Yes	
2000-21178-012	Actual actions of the City different from action approved by the legislative authority in City Ordinance #7139-00,	Yes	

2000-21178-013	Proper Accounting for the Justice Center Project: The City utilized a separate account for the receipts and expenditures relating to the Justice Center Project. These transactions were not included on the City's monthly financial reports or as part of the monthly cash reconciliations.	Yes	
2000-21178-014	<u>Council and Managements Failure to Utilize Financial Reports:</u> The City Auditor provided council with monthly financial reports which indicated the budgetary non-compliance as well as the lack of financial information related to the Justice Center Project.	No	This finding was reissued as a recommendation in the management letter.

CITY OF GIRARD
TRUMBULL COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2001
CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-21178-008	The City of Girard will require the Federal Program Administrator, prior to requesting drawdowns for expenses to submit all related invoices. This procedure should allow for timely disbursements of funds upon receipt of the federal funds.	December 31,2002	Samuel Zirafi City Auditor



STATE OF OHIO
OFFICE OF THE AUDITOR

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Facsimile 614-466-4490

CITY OF GIRARD
TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2002**