



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF GIRARD
TRUMBULL COUNTY**

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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, 1999, 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.

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.

In our opinion, 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, 1999, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2001 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.

Jim Petro
Auditor of State

December 14, 2001

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City of Girard, Ohio
Combined Balance Sheet
All Fund Types and Account Groups
December 31, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<i>Assets and Other Debits</i>			
Assets			
Equity in Pooled Cash and Cash and Cash Equivalents	\$0	\$602,013	\$902,811
Cash and Cash Equivalents in Segregated Accounts	0	0	3,054,222
Receivables:			
Taxes	462,413	460,142	24,368
Accounts	0	0	0
Interfund	0	0	458,345
Intergovernmental Receivable	24,182	40,473	123,761
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits			
Amount to be Provided from General Government Resources	0	0	0
<i>Total Assets and Other Debits</i>	\$486,595	\$1,102,628	\$4,563,507

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$318,479	\$0	\$33,969	\$0	\$0	\$1,857,272
0	0	279,595	0	0	3,333,817
0	0	0	0	0	946,923
794,934	0	0	0	0	794,934
0	0	0	0	0	458,345
0	0	0	0	0	188,416
13,979,495	0	0	4,421,823	0	18,401,318
0	0	0	0	1,906,748	1,906,748
<u>\$15,092,908</u>	<u>\$0</u>	<u>\$313,564</u>	<u>\$4,421,823</u>	<u>\$1,906,748</u>	<u>\$27,887,773</u>

(continued)

City of Girard, Ohio
Combined Balance Sheet
All Fund Types and Account Groups (continued)
December 31, 1999

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<i>Liabilities, Fund Equity and Other Credits</i>			
Liabilities			
Accounts Payable	\$19,371	\$34,319	\$69,537
Contracts Payable	0	0	67,074
Interfund Payable	247,024	63,249	0
Accrued Wages and Benefits	39,563	8,445	0
Compensated Absences Payable	14,769	1,333	0
Intergovernmental Payable	143,380	31,286	0
Deferred Revenue	295,320	419,529	0
Accrued Interest Payable	0	0	1,198
Undistributed Monies	0	0	0
Notes Payable	0	0	3,546,428
Claims Payable	0	0	0
Fire and Police Pension Liability	0	0	0
Capital Leases Payable	0	0	0
OWDA Loans Payable	0	0	0
OPWC Loans Payable	0	0	0
<i>Total Liabilities</i>	<u>759,427</u>	<u>558,161</u>	<u>3,684,237</u>
Fund Equity and Other Credits			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved (Deficit)	0	0	0
Fund Balance:			
Reserved for Encumbrances	3,694	351	14,637
Unreserved, Undesignated (Deficit)	(276,526)	544,116	864,633
<i>Total Fund Equity (Deficit) and Other Credits</i>	<u>(272,832)</u>	<u>544,467</u>	<u>879,270</u>
<i>Total Liabilities, Fund Equity and Other Credits</i>	<u>\$486,595</u>	<u>\$1,102,628</u>	<u>\$4,563,507</u>

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	
\$115,664	\$0	\$0	\$0	\$0	\$238,891
0	0	0	0	0	67,074
148,072	0	0	0	0	458,345
13,102	0	0	0	0	61,110
197,295	0	0	0	799,517	1,012,914
60,832	0	0	0	166,187	401,685
0	0	0	0	0	714,849
0	0	0	0	0	1,198
0	0	308,000	0	0	308,000
0	0	0	0	0	3,546,428
0	19,354	0	0	0	19,354
0	0	0	0	313,090	313,090
194,432	0	0	0	460,354	654,786
5,075,049	0	0	0	0	5,075,049
0	0	0	0	167,600	167,600
<u>5,804,446</u>	<u>19,354</u>	<u>308,000</u>	<u>0</u>	<u>1,906,748</u>	<u>13,040,373</u>
0	0	0	4,421,823	0	4,421,823
976,402	0	0	0	0	976,402
8,312,060	(19,354)	0	0	0	8,292,706
0	0	0	0	0	18,682
0	0	5,564	0	0	1,137,787
<u>9,288,462</u>	<u>(19,354)</u>	<u>5,564</u>	<u>4,421,823</u>	<u>0</u>	<u>14,847,400</u>
<u>\$15,092,908</u>	<u>\$0</u>	<u>\$313,564</u>	<u>\$4,421,823</u>	<u>\$1,906,748</u>	<u>\$27,887,773</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, 1999

	Governmental	
	General	Special Revenue
Revenues		
Municipal Income Tax	\$2,613,831	\$747,664
Property and Other Taxes	257,873	95,426
Charges for Services	0	56,165
Licenses, Permits and Fees	626,099	29,948
Fines and Forfeitures	0	181,569
Intergovernmental	524,287	1,299,595
Interest	136,892	1,527
Contributions and Donations	0	858
Other	33,830	7,027
<i>Total Revenues</i>	<u>4,192,812</u>	<u>2,419,779</u>
Expenditures		
Current:		
General Government	1,692,818	101,046
Security of Persons and Property	2,825,760	272,135
Public Health and Welfare	142,875	136,788
Transportation	39,041	796,759
Community Environment	605	429,588
Basic Utility Services	0	279,519
Leisure Time Activities	39,526	228,993
Capital Outlay	0	0
Debt Service:		
Principal Retirement	21,844	36,609
Interest and Fiscal Charges	15,529	4,546
<i>Total Expenditures</i>	<u>4,777,998</u>	<u>2,285,983</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(585,186)</u>	<u>133,796</u>
Other Financing Sources		
Proceeds of OPWC Loan	0	0
Inception of Capital Lease	75,196	14,250
<i>Total Other Financing Sources</i>	<u>75,196</u>	<u>14,250</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	(509,990)	148,046
<i>Fund Balances Beginning of Year (Restated Note 3)</i>	<u>237,158</u>	<u>396,421</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>(\$272,832)</u></u>	<u><u>\$544,467</u></u>

See accompanying notes to the general purpose financial statements

Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$0	\$166,768	\$0	\$3,528,263
0	0	0	353,299
0	0	0	56,165
0	97,196	0	753,243
0	0	0	181,569
0	1,183,834	0	3,007,716
0	0	86	138,505
0	0	0	858
0	0	0	40,857
0	1,447,798	86	8,060,475
0	0	0	1,793,864
0	0	0	3,097,895
0	0	0	279,663
0	0	0	835,800
0	0	170	430,363
0	0	0	279,519
0	0	0	268,519
0	2,019,308	0	2,019,308
0	119,436	0	177,889
1,478	24,193	0	45,746
1,478	2,162,937	170	9,228,566
(1,478)	(715,139)	(84)	(1,168,091)
0	171,897	0	171,897
0	59,526	0	148,972
0	231,423	0	320,869
(1,478)	(483,716)	(84)	(847,222)
1,478	1,362,986	5,648	2,003,691
\$0	\$879,270	\$5,564	\$1,156,469

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, 1999*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$2,752,000	\$2,606,883	(\$145,117)
Property and Other Taxes	257,762	257,873	111
Charges for Services	0	0	0
Licenses, Permits and Fees	685,210	626,099	(59,111)
Fines and Forfeitures	0	0	0
Intergovernmental	482,638	523,917	41,279
Interest	130,000	136,892	6,892
Contributions and Donations	0	0	0
Other	7,500	33,830	26,330
<i>Total Revenues</i>	<u>4,315,110</u>	<u>4,185,494</u>	<u>(129,616)</u>
Expenditures			
Current:			
General Government	1,672,357	1,605,592	66,765
Security of Persons and Property	2,598,027	2,759,714	(161,687)
Public Health and Welfare	135,200	139,064	(3,864)
Transportation	33,500	35,289	(1,789)
Community Environment	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	36,800	39,526	(2,726)
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>4,475,884</u>	<u>4,579,185</u>	<u>(103,301)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(160,774)	(393,691)	(232,917)
Other Financing Sources			
Proceeds of Notes	0	0	0
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	(160,774)	(393,691)	(232,917)
<i>Fund Balances Beginning of Year</i>	136,082	136,082	0
Prior Year Encumbrances Appropriated	3,672	3,672	0
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$21,020)</u>	<u>(\$253,937)</u>	<u>(\$232,917)</u>

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$467,286	\$443,561	(\$23,725)	\$0	\$0	\$0
359,177	370,934	11,757	0	0	0
64,235	68,169	3,934	0	0	0
23,830	29,948	6,118	0	0	0
130,000	181,569	51,569	0	0	0
1,107,650	1,298,283	190,633	0	0	0
1,600	1,527	(73)	0	0	0
950	858	(92)	0	0	0
500	7,027	6,527	0	0	0
<u>2,155,228</u>	<u>2,401,876</u>	<u>246,648</u>	<u>0</u>	<u>0</u>	<u>0</u>
98,293	101,162	(2,869)	0	0	0
167,246	261,783	(94,537)	0	0	0
119,842	133,707	(13,865)	0	0	0
773,860	812,972	(39,112)	0	0	0
402,000	429,588	(27,588)	0	0	0
243,100	281,298	(38,198)	0	0	0
210,283	223,987	(13,704)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,478	1,478	0
<u>2,014,624</u>	<u>2,244,497</u>	<u>(229,873)</u>	<u>1,478</u>	<u>1,478</u>	<u>0</u>
140,604	157,379	16,775	(1,478)	(1,478)	0
0	0	0	0	0	0
140,604	157,379	16,775	(1,478)	(1,478)	0
373,662	373,662	0	1,478	1,478	0
1,975	1,975	0	0	0	0
<u>\$516,241</u>	<u>\$533,016</u>	<u>\$16,775</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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, 1999*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Municipal Income Tax	\$316,828	\$316,828	\$0
Property and Other Taxes	0	0	0
Charges for Services	0	0	0
Licenses, Permits and Fees	50,000	97,196	47,196
Fines and Forfeitures	0	0	0
Intergovernmental	1,316,390	917,453	(398,937)
Interest	0	0	0
Contributions and Donations	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>1,683,218</u>	<u>1,331,477</u>	<u>(351,741)</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	0	0	0
Basic Utility Services	0	0	0
Leisure Time Activities	0	0	0
Capital Outlay	1,383,042	1,804,846	(421,804)
Debt Service:			
Principal Retirement	13,583	13,583	0
Interest and Fiscal Charges	2,975	2,975	0
<i>Total Expenditures</i>	<u>1,399,600</u>	<u>1,821,404</u>	<u>(421,804)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	283,618	(489,927)	(773,545)
Other Financing Sources			
Proceeds of Notes	0	3,500,000	3,500,000
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</i>	283,618	3,010,073	2,726,455
<i>Fund Balances Beginning of Year</i>	1,390,668	1,390,668	0
Prior Year Encumbrances Appropriated	0	0	0
<i>Fund Balances (Deficit) End of Year</i>	<u>\$1,674,286</u>	<u>\$4,400,741</u>	<u>\$2,726,455</u>

See accompanying notes to the general purpose financial statements

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$3,536,114	\$3,367,272	(\$168,842)
0	0	0	616,939	628,807	11,868
0	0	0	64,235	68,169	3,934
0	0	0	759,040	753,243	(5,797)
0	0	0	130,000	181,569	51,569
0	0	0	2,906,678	2,739,653	(167,025)
137	86	(51)	131,737	138,505	6,768
0	0	0	950	858	(92)
0	0	0	8,000	40,857	32,857
137	86	(51)	8,153,693	7,918,933	(234,760)
0	0	0	1,770,650	1,706,754	63,896
0	0	0	2,765,273	3,021,497	(256,224)
0	0	0	255,042	272,771	(17,729)
0	0	0	807,360	848,261	(40,901)
245	170	75	402,245	429,758	(27,513)
0	0	0	243,100	281,298	(38,198)
0	0	0	247,083	263,513	(16,430)
0	0	0	1,383,042	1,804,846	(421,804)
0	0	0	13,583	13,583	0
0	0	0	4,453	4,453	0
245	170	75	7,891,831	8,646,734	(754,903)
(108)	(84)	24	261,862	(727,801)	(989,663)
0	0	0	0	3,500,000	3,500,000
(108)	(84)	24	261,862	2,772,199	2,510,337
5,648	5,648	0	1,907,538	1,907,538	0
0	0	0	5,647	5,647	0
\$5,540	\$5,564	\$24	\$2,175,047	\$4,685,384	\$2,510,337

City of Girard, Ohio
*Combined Statement of Revenues,
Expenses and Changes in Fund Equity
All Proprietary Fund Types
For The Year Ended December 31, 1999*

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Operating Revenues			
Charges for Services	\$3,992,160	\$811,273	\$4,803,433
Tap-In Fees	16,544	0	16,544
Other	59,817	0	59,817
<i>Total Operating Revenues</i>	<u>4,068,521</u>	<u>811,273</u>	<u>4,879,794</u>
Operating Expenses			
Personal Services	1,299,893	0	1,299,893
Contractual Services	1,090,040	56,627	1,146,667
Claims	0	716,422	716,422
Materials and Supplies	1,126,664	0	1,126,664
Depreciation	7,500	0	7,500
Other	189,029	0	189,029
<i>Total Operating Expenses</i>	<u>3,713,126</u>	<u>773,049</u>	<u>4,486,175</u>
<i>Operating Income</i>	355,395	38,224	393,619
Non-Operating Expenses			
Interest and Fiscal Charges	(412,481)	0	(412,481)
<i>Net Income (Loss)</i>	(57,086)	38,224	(18,862)
<i>Retained Earnings (Deficit)</i>			
<i>Beginning of Year (Restated Note 3)</i>	8,369,146	(57,578)	8,311,568
<i>Retained Earnings (Deficit) End of Year</i>	<u>8,312,060</u>	<u>(19,354)</u>	<u>8,292,706</u>
<i>Contributed Capital Beginning of Year</i>	906,262	0	906,262
Contributions During Year:			
Tap-In Fees	512	0	512
Intergovernmental	69,628	0	69,628
<i>Contributed Capital End of Year</i>	<u>976,402</u>	<u>0</u>	<u>976,402</u>
<i>Total Fund Equity (Deficit) End of Year</i>	<u>\$9,288,462</u>	<u>(\$19,354)</u>	<u>\$9,269,108</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, 1999*

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Charges for Services	\$3,413,000	\$3,482,988	\$69,988
Tap-In Fees	15,000	17,056	2,056
Other	65,000	59,817	(5,183)
<i>Total Revenues</i>	<u>3,493,000</u>	<u>3,559,861</u>	<u>66,861</u>
Expenses			
Current:			
Personal Services	1,241,257	1,241,257	0
Contractual Services	877,965	854,565	23,400
Claims	0	0	0
Materials and Supplies	892,238	1,158,278	(266,040)
Other	166,568	189,029	(22,461)
Capital Outlay	306,255	204,620	101,635
Debt Service:			
Principal Retirement	326,843	326,843	0
Interest and Fiscal Charges	420,807	411,430	9,377
<i>Total Expenses</i>	<u>4,231,933</u>	<u>4,386,022</u>	<u>(154,089)</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(738,933)	(826,161)	(87,228)
<i>Fund Equity Beginning of Year</i>	937,230	937,230	0
<i>Prior Year Encumbrances Appropriated</i>	43,382	43,382	0
<i>Fund Equity End of Year</i>	<u>\$241,679</u>	<u>\$154,451</u>	<u>(\$87,228)</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, 1999*

	Internal Service Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues			
Charges for Services	\$906,350	\$811,273	(\$95,077)
Tap-In Fees	0	0	0
Other	0	0	0
<i>Total Revenues</i>	<u>906,350</u>	<u>811,273</u>	<u>(95,077)</u>
Expenses			
Current:			
Personal Services	0	0	0
Contractual Services	63,263	56,627	6,636
Claims	843,087	754,646	88,441
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>	<u>906,350</u>	<u>811,273</u>	<u>95,077</u>
<i>Excess of Revenues Over (Under) Expenses</i>	0	0	0
<i>Fund Equity Beginning of Year</i>	0	0	0
<i>Prior Year Encumbrances Appropriated</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the general purpose financial statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$4,319,350	\$4,294,261	(\$25,089)
15,000	17,056	2,056
65,000	59,817	(5,183)
<u>4,399,350</u>	<u>4,371,134</u>	<u>(28,216)</u>
1,241,257	1,241,257	0
941,228	911,192	30,036
843,087	754,646	88,441
892,238	1,158,278	(266,040)
166,568	189,029	(22,461)
306,255	204,620	101,635
326,843	326,843	0
420,807	411,430	9,377
<u>5,138,283</u>	<u>5,197,295</u>	<u>(59,012)</u>
(738,933)	(826,161)	(87,228)
937,230	937,230	0
43,382	43,382	0
<u>\$241,679</u>	<u>\$154,451</u>	<u>(\$87,228)</u>

City of Girard, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For The Year Ended December 31, 1999

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$3,482,988	\$0	\$3,482,988
Tap-In Fees	16,544	0	16,544
Cash Received from Quasi-External Transactions with Other Funds	0	811,273	811,273
Cash Payments to Suppliers for Goods and Services	(1,158,278)	0	(1,158,278)
Cash Payments for Contractual Services	(844,377)	(56,627)	(901,004)
Cash Payments for Employee Services and Benefits	(1,225,301)	0	(1,225,301)
Cash Payments for Claims	0	(754,646)	(754,646)
Other Cash Receipts	17,892	0	17,892
Other Cash Payments	(147,104)	0	(147,104)
<i>Net Cash Provided By Operating Activities</i>	142,364	0	142,364
Cash Flows from Noncapital Financing Activities			
Advance In	148,072	0	148,072
Cash Flows from Capital and Related Financing Activities			
Purchase of Fixed Assets	(204,620)	0	(204,620)
Tap-In Fees	512	0	512
Principal Payments - Capital Lease	(10,188)	0	(10,188)
Interest Payments - Capital Lease	(1,912)	0	(1,912)
Principal Payments - OWDA Loans	(326,843)	0	(326,843)
Interest Payments - OWDA Loans	(409,518)	0	(409,518)
<i>Net Cash Used in Capital and Related Financing Activities</i>	(952,569)	0	(952,569)
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(662,133)	0	(662,133)
<i>Cash and Cash Equivalents Beginning of Year</i>	980,612	0	980,612
<i>Cash and Cash Equivalents End of Year</i>	\$318,479	\$0	\$318,479

(continued)

City of Girard, Ohio
 Combined Statement of Cash Flows
 All Proprietary Fund Types (continued)
 For The Year Ended December 31, 1999

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities			
<i>Operating Income (Loss)</i>	\$355,395	\$38,224	\$393,619
<i>Adjustments:</i>			
Depreciation	7,500	0	7,500
Decrease in Accounts Receivable	(440,785)	0	(440,785)
Increase/(Decrease) in Liabilities:			
Accounts Payable	99,410	0	99,410
Accrued Wages and Benefits	1,229	0	1,229
Compensated Absences Payable	13,331	0	13,331
Intergovernmental Payable	(41,788)	0	(41,788)
Interfund Payable Payable	148,072		148,072
Claims Payable	0	(38,224)	(38,224)
Total Adjustments	(213,031)	(38,224)	(251,255)
<i>Net Cash Provided By Operating Activities</i>	<u><u>\$142,364</u></u>	<u><u>\$0</u></u>	<u><u>\$142,364</u></u>

See accompanying notes to the general purpose financial statements
 During 1999 the enterprise fixed assets increased by \$69,628 for assets acquired with
 Trumbull County paying a portion of the Ohio Water Development Authority Debt.

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**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

1. DESCRIPTION OF THE CITY AND REPORTING ENTITY

The City of Girard (the "City") was incorporated under the laws of the State of Ohio in 1922. The City operates under a Council-Mayor form of government. The Mayor is elected for a four-year term. The eight council members serve two years terms.

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 Local 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.

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. 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.

CITY OF GIRARD
TRUMBULL COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** -(Continued)

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 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.

Debt Service Fund This fund is used to account for the accumulations of resources for, and the payment of long-term debt.

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.

CITY OF GIRARD
TRUMBULL COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (Continued)

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:

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.

B. 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.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total 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.

All governmental fund types, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. The available period for the City is thirty-one days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, State-levied locally shared taxes (including gasoline tax), fines and forfeitures and income tax withheld by employers.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Current and delinquent property taxes measurable as of December 31, 1999, whose availability is indeterminate and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable and expenses are recognized when they are incurred, if measurable. Unbilled service charges receivable are recognized as revenue at year end.

C. 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 1999.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 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.

D. 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 capital projects fund made an advance to the general fund, the garbage, cops and natureworks special revenue funds and the sewer enterprise fund to eliminate the funds' negative cash balances. The general fund, the garbage, cops and natureworks special revenue funds and the sewer enterprise fund have interfund payables for the amount of the advance received from the capital projects fund and the capital projects fund has an interfund receivable for the same amount on the combined balance sheet.

During 1999, 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 1999 amounted to \$136,892, which includes \$73,922 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.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

E. 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, 1999 was not significant, an amount was not reported on the combined balance sheet.

F. 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."

G. 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 five hundred 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.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 1999, interest costs incurred on construction projects in the proprietary funds were not material.

H. 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.

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

I. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

K. Contributed Capital

Contributed capital represents resources provided from other funds of the City, other governments, and private sources to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on these assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

L. 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.

M. 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.

N. 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
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

3. RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

For the year ended December 31, 1999, the following adjustments resulted in the restatement of fund balances/retained earnings.

	Special Revenue	Enterprise
Balances at December 31, 1998	\$271,213	\$5,867,146
Understatement of Fixed Assets	0	2,500,000
Reclassification of Fund	95,502	0
Understatement of Taxes Receivable	29,706	0
Overstatement of Consumer Water Loan	0	2,000
Restated Balances at December 31, 1998	<u>\$396,421</u>	<u>\$8,369,146</u>

The balance in the general long-term obligation account group increased by \$52,561 from \$1,630,810 to \$1,683,371 at December 31, 1999, due to the understatement of capital leases payable. The balances in the agency funds decreased from \$511,195 to \$313,564.

The effect of these changes on the excess of revenue and other financing sources over expenditures/net income as previously reported for the year ended December 31, 1998 is as follows:

	Special Revenue	Enterprise
Excess/Net Income at December 31, 1998	\$68,393	\$351,463
Reclassification of Fund	95,502	0
Overstatement of Consumer Water Loan	0	2,000
Restated Excess/Net Income Balances at December 31,	<u>\$163,895</u>	<u>\$353,463</u>

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).
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).

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

4. BUDGETARY BASIS OF ACCOUNTING - (Continued)

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.

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 and Other Financing Sources
Over (Under) Expenditures
All Governmental Fund Types and Similar Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendabl e Trust
GAAP Basis	(\$509,990)	\$148,046	(\$1,478)	(\$483,716)	(\$84)
Net Adjustment for Revenue Accruals	(82,514)	(32,153)	0	(175,847)	0
Proceeds of Notes	0	0	0	3,500,000	0
Proceeds of OPWC Loans	0	0	0	(171,897)	0
Net Adjustment for Expenditure Accruals	205,726	47,469	0	250,317	0
Principal Retirement	0	0	0	105,853	0
Encumbrances	(6,913)	(5,983)	0	(14,637)	0
Budget Basis	<u>(\$393,691)</u>	<u>\$157,379</u>	<u>(\$1,478)</u>	<u>\$3,010,073</u>	<u>(\$84)</u>

Net Income (Loss)/Excess of Revenues Over (Under) Expenses
Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$57,086)	\$38,244
Net Adjustment for Revenue Accruals	(509,172)	0
Tap-In Fees	512	0
Net Adjustment for Expense Accruals	279,504	(38,244)
Principal Retirement	(326,843)	0
Capital Outlay	(204,620)	0
Depreciation	7,500	0
Encumbrances	(15,956)	0
Budget Basis	<u>(\$826,161)</u>	<u>\$0</u>

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

5. ACCOUNTABILITY AND COMPLIANCE

A. Fund Deficits

The following funds had deficit fund balances/retained earnings as of December 31, 1999:

General Fund	\$272,832
Special Revenue Funds:	
Garbage	64,356
Federal COPS Grant	30,888
Health Insurance Internal Service Fund	19,354

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 deficits in the special revenue funds 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 funds 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	\$4,454,864	\$4,475,884	(\$21,020)
Special Revenue:			
COPS	104,713	105,286	(573)

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	\$313,387	\$321,863	(\$8,476)
Materials and Supplies	99,570	105,090	(5,520)
Engineering			
Materials and Supplies	11,199	37,050	(25,851)
City Hall			

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

Fund Type/Fund	Appropriations	Expenditures plus Encumbrances	Excess
Materials and Supplies	64,800	93,572	(28,772)
Miscellaneous			
Personal Services	69,400	77,943	(8,543)
Materials and Supplies	22,349	35,940	(13,591)
Capital Outlay	7,000	43,466	(36,466)
Security of Persons and Property			
Materials and Supplies	96,170	137,986	(41,816)
Fire Department			
Personal Services	1,123,798	1,242,279	(118,481)
Materials and Supplies	47,050	52,752	(5,702)
Contractual Services	29,250	31,329	(2,079)
Elderly Transportation			
Personal Services		35,289	(1,789)
Public Health and Welfare			
Personal Services	129,200	131,276	(2,076)
Materials and Supplies	6,000	7,788	(1,788)
Lakes			
Materials and Supplies	9,000	14,251	(5,251)
Special Revenue Funds:			
Street Construction			
Transportation	626,860	712,157	(85,297)
Garbage			
Basic Utility Service	243,100	281,298	(38,198)
Elderly Bus Fare			
Transportation	3,400	3,436	(36)
Law Enforcement			
General Government	4,000	11,032	(7,032)
Recreation			
Leisure Time Activities	195,273	212,999	(17,726)
Natureworks			
Community Environment	84,000	84,731	(731)
CHIP/CHIS			
Community Environment	\$272,000	\$340,057	(\$68,057)
COPS			
Security of Persons and Property	105,286	200,249	(94,963)
Cemetery			
Public Health Services	104,222	119,265	(15,043)
Capital Projects Funds:			
Capital Improvement			
Capital Outlay	1,299,600	1,315,785	(16,185)
Municipal Court			
Capital Outlay	100,000	59,841	(40,159)
Sewer Enterprise Fund			
Materials and Supplies	588,550	854,590	(266,040)
Personal Services	112,224	147,104	(34,880)

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

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

5. ACCOUNTABILITY AND COMPLIANCE - (Continued)

Additional budgetary violations are as follows:

Reduced amended certificates as required by Section 5705.36, Ohio Revised Code, were not obtained for eight funds.

Purchase obligations were not always certified and encumbered as required by Section 5705.41(D), Ohio Revised Code.

Six funds reflected negative cash fund balances as of December 31, 1999 which is contrary to Section 5705.10, Ohio Revised Code.

Financial activity pertaining to the construction of the Justice Center was not reflected on City financial records as required by Section 733.11, Ohio Revised Code.

Payments made to contractors relating to the construction of the Justice Center were not made on City checks/warrants as required by Section 705.08, Ohio Revised Code.

Change orders relating to contracts for the construction of the Justice Center were not approved by the City's Board of Control as required by Section 735.07, Ohio Revised Code.

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.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

6. DEPOSITS AND INVESTMENTS - (Continued)

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;
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 \$3,623,077 and the bank balance was \$5,695,386. \$242,591 of the bank balance was covered by federal depository insurance. \$5,452,795 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.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

6. DEPOSITS AND INVESTMENTS - (Continued)

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 District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District'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 District's name.

	Category 3	Carrying Value	Fair Value
Repurchase Agreement	\$1,568,012	\$1,568,012	\$1,568,012

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	\$5,191,089	\$0
Investments Which are Part of a Cash Management Pool:		
Repurchase Agreement	(1,568,012)	1,568,012
GASB Statement No. 3	\$3,623,077	\$1,568,012

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 1999 for real and public utility property taxes represents collections of 1998 taxes. Property tax payments received during 1999 for tangible personal property (other than public utility property) is for 1999 taxes.

1999 real property taxes are levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 1999 real property taxes are collected in and intended to finance 2000.

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. 1999 public utility property taxes became a lien December 31, 1998, are levied after October 1, 1999, and collected in 2000 real property taxes.

1999 tangible personal property taxes are levied after October 1, 1998 on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are 25 percent of true value.

The full tax rate for all City operations for the year ended December 31, 1999, was \$7.06 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 1999 property tax receipts were based are as follows:

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

7. PROPERTY TAXES - (Continued)

Real Property	\$83,656,069
Public Utility Property	7,638,543
Tangible Personal Property	<u>15,461,677</u>
Total Valuation	<u><u>\$106,756,289</u></u>

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.

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, 1999. 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 1999 operations. The receivable is offset by deferred revenue.

8. RECEIVABLES

Receivables at December 31, 1999, 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:

	Amount
General Fund:	
Local Government	\$20,579
Permissive Tax	3,603
Total General Fund	<u>24,182</u>
Special Revenue Funds:	
Street Construction	26,847
State Highway	1,429
Street Permissive	7,546
Health	624
Elderly Bus Fare	2,438
Garbage	1,192
Natureworks	397
Total Special Revenue Funds	<u>40,473</u>
Capital Projects Funds:	
Capital Improvements	<u>123,761</u>
Total	<u><u>\$188,416</u></u>

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

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: 76.0 percent to the general fund, 6.5 percent to the street repair and maintenance special revenue fund, 6.5 percent to the recreation special revenue fund, 1.0 percent to the cemetery special revenue fund, 5.0 percent to the street utilities special revenue fund, and 5.0 percent to the capital projects fund.

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 is 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, 1999.

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.

11. FIXED ASSETS

A summary of the enterprise fund's fixed assets as of December 31, 1999, follows:

Land	\$4,183,800
Buildings	9,443,322
Equipment	134,691
Vehicles	112,031
Water and Sewer Lines	929,653
Total	<u>14,803,497</u>
Less: Accumulated Depreciation	<u>(824,002)</u>
Net Fixed Assets	<u><u>\$13,979,495</u></u>

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

11. FIXED ASSETS - (Continued)

A summary of changes in general fixed assets follows:

	Balance January 1,	Additions	Deductions	Balance December 31,
Land	\$784,993	\$0	\$0	\$784,993
Buildings	445,001	0	0	445,001
Equipment	1,239,948	91,972	0	1,331,920
Vehicles	1,357,135	57,000	0	1,414,135
Construction in Progress	0	445,774	0	445,774
Total	\$3,827,077	\$594,746	\$0	\$4,421,823

12. NOTE PAYABLE

Changes in the City's note activity for the year ended December 31, 1999, were as follows:

	Outstanding 12/31/98	Additions	(Reductions)	Outstanding December 31,
Capital Improvement -	\$0	\$3,500,000	\$0	\$3,500,000
Capital Improvement -	55,714	0	(9,286)	46,428
Total	\$55,714	\$3,500,000	(\$9,286)	\$3,546,428

The notes are 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. Notes are generally issued in anticipation of long-term bond financing and are refinanced until such bonds are issued.

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 Garage	\$127,950	1999
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

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

13. LONG-TERM OBLIGATIONS - (Continued)

Changes in long-term obligations of the City during 1999 were as follows:

	Outstanding January 1, 1999	Additions	(Reductions)	Outstanding December 31, 1999
Enterprise Fund Obligations:				
<i>Ohio Water Development Authority Loans</i>				
1990 7.51%				
Water Garage	\$8,674	\$0	\$8,674	\$0
1998 6.36%				
Water Distribution	423,418	0	12,658	410,760
1996 6.87%				
Lakes Project	2,276,010	0	78,516	2,197,494
1997 6.36%				
Liberty Water	44,613	0	1,395	43,218
1988 8.48%				
Sewer Plant	2,649,177	0	225,600	2,423,577
<i>Total Ohio Water Development Authority</i>	<u>5,401,892</u>	<u>0</u>	<u>326,843</u>	<u>5,075,049</u>
Capital Leases	<u>\$0</u>	<u>\$204,620</u>	<u>\$10,188</u>	<u>\$194,432</u>
<i>Total Enterprise Fund Obligations</i>	<u>\$5,401,892</u>	<u>\$204,620</u>	<u>\$337,031</u>	<u>\$5,269,481</u>
General Long-Term Obligations:				
Compensated Absences	728,385	71,132	0	799,517
Intergovernmental Payable	156,922	166,187	156,922	166,187
Fire and Police Pension Liability	316,837	0	3,747	313,090
Capital Leases	481,227	148,972	169,845	460,354
OPWC Loans	<u>0</u>	<u>171,897</u>	<u>4,297</u>	<u>167,600</u>
<i>Total General Long-Term Obligations</i>	<u>1,683,371</u>	<u>558,188</u>	<u>334,811</u>	<u>1,906,748</u>
<i>Total All Types</i>	<u>\$7,085,263</u>	<u>\$762,808</u>	<u>\$671,842</u>	<u>\$7,176,229</u>

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 will be paid with monies from Capital Improvements capital projects fund.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

13. LONG-TERM OBLIGATIONS - (Continued)

The City's overall legal debt margin was \$5,962,464 at December 31, 1999. Principal and interest requirements to retire long-term obligations outstanding at December 31, 1999, are as follows:

	Ohio Water Development Authority	Ohio Public Works Commission	Fire and Police Pension Liability
2000	\$728,948	\$8,594	\$17,173
2001	728,948	8,594	17,173
2002	728,948	8,594	17,173
2003	728,948	8,594	17,173
2004	728,948	8,594	17,173
2005-2009	2,519,114	42,970	86,865
2010-2014	1,393,488	42,970	86,865
2015-2019	224,866	38,690	86,865
2020-2024	0	0	86,865
2025-2029	0	0	86,865
2030-2034	0	0	86,865
2035-2038	0	0	52,519
Total	<u>\$7,782,208</u>	<u>\$167,600</u>	<u>\$659,574</u>

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, 1999, the liability for unpaid compensated absences was \$1,012,914 for the entire City.

15. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All City full-time employees, other than Police and Firemen, 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 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 and the City is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ending December 31, 1999, 1998 and 1997 were \$225,596, \$195,575, and \$185,095 respectively. The full amount has been contributed for 1998 and 1997. 76.2 percent has been contributed for 1999 with the remainder being reported as a liability within the enterprise funds and the general long-term obligations group.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

15. DEFINED BENEFIT PENSION PLANS - (Continued)

B. Police and Firemen's Disability And Pension

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and for 1999 the City was required to contribute 12.5 percent for police and 17 percent for firefighters. For 1998 the City contributions were 13 percent for police and 17.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$126,404 and \$131,210 for the year ended December 31, 1999, \$128,772 and \$136,492 for the year ended December 31, 1998, and \$117,415 and \$115,745 for 1997. The full amount has been contributed for 1998 and 1997. 70.25 and 69.78 percent, respectively, have been contributed for 1999 with the remainder being reported as a liability within the general long-term obligations account group.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 1999, the unfunded liability of the City was \$313,090, payable in semiannual 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.

16. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System (PERS)

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 and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) 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 1999 employer contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

Benefits are funded on a pay-as-you-go basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. During 1999, OPEB expenditures made by PERS were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. At December 31, 1999, the total number of benefit recipients eligible for OPEB through PERS was 118,062. The City's actual contributions for 1999 which were used to fund OPEB were \$101,337.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

(CONTINUED)

16. POSTEMPLOYMENT BENEFITS - (Continued)

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2 percent of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health coverage.

B. Police and Firemen's Disability Pension Fund

The Police and Firemen's Disability and Pension Fund (PFDPF) 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 full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Police and Firemen's Disability and Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Police and Firemen's Disability and 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 percent of covered payroll was applied to the postemployment health care program in 1999. For 1998 the percent used to fund healthcare was 6.5 percent. This allocation will be raised to 7.25 percent in 2000. 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 1999 that were used to fund postemployment benefits were \$70,786 for police and \$54,028 for fire. PFDPF's total health care expenses for the year ending December 31, 1998, (the latest information available) were \$78,596,790, which was net of member contributions of \$5,331,515. The number of PFDPF participants eligible to receive health care benefits as of December 31, 1998, was 11,424 for police and 9,186 for firefighters.

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 1999, the City contracted with several companies for various types of insurance as follows:

Company	Type	Coverage
Love Insurance, Inc.	Commercial Liability	\$1,000,000/\$3,000,000
	Public Officials	1,000,000/2,000,000
	Law Enforcement	1,000,000/2,000,000
	Automobile	1,000,000
	Automobile Physical Damage	469,664
	Real and Personal Property	15,916,534
	Inland Marine	767,912
	Business Electronic Equipment	71,836
	Commercial Crime	10,000
Mutual Insurance Company	Bonds - Employees and Officials	10,000

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

17. RISK MANAGEMENT - (Continued)

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 \$19,354 have been accrued as a liability based on a review of January, 2000 billings provided by the City Auditor's Office.

The claims liability of \$19,354 reported in the internal service funds at December 31, 1999 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 1998 and 1999 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1998	\$27,065	\$722,015	\$691,502	\$57,578
1999	57,578	716,422	754,646	19,354

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.

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, 1999:

	Sewer Fund	Water Fund	Total
Operating Revenues	\$1,733,589	\$2,334,932	\$4,068,521
Depreciation Expense	2,230	5,270	7,500
Operating Income	63,315	292,080	355,395
Net Income (Loss)	(161,335)	104,249	(57,086)
Fixed Asset Additions	0	204,620	204,620
Current Capital Contributions	69,628	512	70,140
Net Working Capital	235,678	148,338	384,016
Total Assets	11,801,621	3,291,287	15,092,908
Long-Term Liabilities	2,423,577	2,651,472	5,075,049
Total Equity	9,049,269	239,193	9,288,462
Encumbrances	13,785	2,171	15,956

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

19. JOINTLY GOVERNED ORGANIZATIONS

A. Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is committed to faster 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 1999, the City contributed \$3,504 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 1999, the City contributed \$1,809 to the Emergency Management Agency.

20. INTERFUND TRANSACTIONS

Interfund balances at December 31, 1999, consist of the following interfund receivable and payables:

	Receivable	Payable
General Fund:	\$0	\$247,024
Special Revenue Funds:		
Garbage	0	42,316
COPS	0	20,536
Natureworks	0	397
Total Special Revenue Funds:	0	63,249
Capital Projects Fund	458,345	0
Sewer Enterprise Fund:	0	148,072
Total	\$458,345	\$458,345

21. CAPITAL LEASES

In prior years, the City entered into capitalized leases for the acquisition of computers and vehicles. During 1999, the City entered into new capital leases for computers, accounted for in the general fund and automated water meters, accounted for in the enterprise funds. 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.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

21. CAPITAL LEASES - (Continued)

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, 1999:

	General Fixed Assets	Enterprise
Equipment	\$1,180,726	\$204,620
Less: Accumulated Depreciation	0	0
Carrying Value	\$1,180,726	\$204,620

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, 1999:

Year	General Long-Term Obligation	Enterprise
2000	\$220,824	\$49,192
2001	136,269	49,192
2002	101,454	49,192
2003	49,340	38,712
2004	0	38,712
Total minimum lease payments	507,887	225,000
Less: Amount representing	(47,533)	(30,568)
Present value of minimum lease	\$460,354	\$194,432

22. CONTRACTUAL COMMITMENTS

The City had the following contractual commitments outstanding at December 31, 1999:

Project	Contract Amount	Amount Paid	Remaining on Contract
General Contractor	\$2,229,843	(\$645,221)	\$1,584,622
Electrical Contractor	559,621	(56,281)	503,340
Heating, Ventilating, and Air Conditioner Contractor	595,387	(42,532)	552,855
Pumping and Fire Suppression Contractor	292,973	(70,016)	222,957
<i>Total</i>	\$3,677,824	(\$814,050)	\$2,863,774

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass-Through Entity's Number	Disbursements
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant	14.228	A-C-99-127-1	108,546
Community Housing Improvement Program	14.228	A-C-99-127-1	29,062
Fiscal Year Formula Grant	14.228	A-F-98-127-1	49,800
Fiscal Year Formula Grant	14.228	A-F-99-127-1	<u>44,400</u>
Sub-Total Community Development Block Grant			231,808
Home Investment Partnership Program	14.239	A-C-99-127-2	<u>36,501</u>
Total Department of Housing and Urban Development			268,309
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed Through Ohio Department of Justice</i>			
Community Oriented Policing Services	16.710	95-CF-WX-2347	200,249
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through Ohio Department of Health and Human Services</i>			
Area Agency on Aging	93.044		<u>3,436</u>
Total Expenditures of Federal Awards			<u><u>471,994</u></u>

The notes to the schedule of federal awards expenditures is an integral part of this statement.

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 1999**

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 City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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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, 1999, and have issued our report thereon dated December 14, 2001. 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 1999-21178-001 through 1999-21178-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated December 14, 2001.

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 judgement, 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 1999-21178-008 through 1999-21178-010.

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 1999-21178-008 through 1999-21178-010 to be material weaknesses. 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 December 14, 2001.

This report is intended for the information and use of the audit committee, 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.

Jim Petro
Auditor of State

December 14, 2001



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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 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 each of its major federal program for the year ended December 31, 1999. 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 City of Girard's management. Our responsibility is to express an opinion on 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 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 City of Girard's compliance with those requirements.

In our opinion, 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, 1999.

Internal Control Over Compliance

The management of 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 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 a material weakness.

This report is intended for the information and use of the audit committee, 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.

Jim Petro
Auditor of State

December 14, 2001

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

**CITY OF GIRARD
TRUMBULL COUNTY
JANUARY 1, 1999 THROUGH DECEMBER 31, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA# 16.710 Cops Grant
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	1999-21178-001
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Ohio Rev. Code Section 733.13 places the responsibility for not expending money unless it has been appropriated with the City Auditor. This section states, the City Auditor shall not allow the amount set aside for any appropriations to be overdrawn, or the amount appropriated for one item of expense to be drawn upon for any other purpose.

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, 1999 the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund	\$ 4,344,833	\$ 4,579,185	(234,352)
Street Construction Fund	626,860	712,157	(85,297)
Garbage Fund	243,100	281,298	(38,198)
Condemned Homes Fund	4,200	5,206	(1,006)
Elderly Bus Fare Fund	2,900	3,436	(536)
Law Enforcement Drug Fund	4,000	11,031	(7,031)
Recreation Fund	154,330	212,999	(58,669)
Natureworks Fund	0	84,731	(84,731)
Chip/Chis Account Fund	182,000	340,057	(158,057)
Cops Fund	71,000	200,249	(129,249)
Cemetery Fund	99,700	119,265	(19,565)
Capital Improvement Special Proj. Fund	65,000	115,357	(50,357)
Capital Improvement Fund	40,000	732,533	(692,533)
Capital Improvement Street Utilities Fund	285,000	613,751	(328,751)
Sewer Rental Fund	1,530,750	1,799,794	(269,044)
Sewer Rental Equipment Replacement Fund	0	261,773	(261,773)
State Hwy. Patrol Fund	60,000	63,405	(3,405)
Agency Reimbursement Fund	90,000	221,633	(131,633)

At December 31, 1999 expenditures exceeded the appropriations for the eighteen funds listed above. This would indicate that the amount set aside for appropriations in these funds were overdrawn.

In addition to the funds listed above, the City also failed to appropriate \$445,773.63 which was expended for payments of contracts related to the Justice Center project during 1999.

We recommend the City establish control procedures to provide assurance that requirements established by Ohio Revised Code are adhered to.

Finding Number	1999-21178-002
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Ohio Rev. Code Section 5705.36, provides in part, that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The City had estimated resources exceeding actual receipts and unencumbered fund balances for the year ending December 31, 1999 for the following funds:

General Fund	\$127,426
Garbage Fund	4,128
Recreation Fund	14,207
CDBG Fund	4,400
Chip/Chis Account Fund	81,063
Cemetery Fund	610
Municipal Court Comp Fund	16,023
Hospitalization	162,959

The failure to obtain the reduced certificate contributed to the General and Garbage Funds having deficit cash balances as noted in Finding Number 1999-21178-004.

We recommend that the City monitor its actual receipts and compare them to the estimated resources and request amendments to the certificate of estimated resources as necessary.

Finding Number	1999-21178-003
-----------------------	----------------

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. The fiscal officer must certify 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 appropriation fund free from any previous encumbrances. 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 taxing authority 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 certificates, if such expenditure is otherwise valid.
- 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, authorize it to be paid without the affirmation of the Council.

Of the transactions tested 20% of the liabilities, contracts, and open purchase commitments greater than \$1,000 were not certified by the City Auditor and were not encumbered. These commitments were not subsequently approved by the taxing authority or the fiscal officer within the aforementioned 30 day time period. Finding # 1999-21178-001 lists eighteen funds whose expenditures exceeded their appropriations and \$445,773.63 in contract payments which the City failed to appropriate. 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 could have been applied.

We recommend the City discontinue the practice of making expenditures without the proper certification as described above. We recommend a formal policy be adopted which would provide internal controls which would reduce the risk that expenditures could be made without the proper certification.

Finding Number	1999-21178-004
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Ohio Rev. Code Section 733.13, prohibits the City Auditor from issuing a voucher for payment unless sufficient funds are in the treasury of the municipal corporations to the credit of the fund upon which such voucher is drawn. Negative fund balances indicate that sufficient funds were not in the treasury to the credit of the fund that vouchers were drawn upon.

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 two sections described above, the City had negative cash fund balances as of December 31, 1999 in the following funds:

General Fund	(\$ 254,392)	Sewer Rental	(\$ 190,644)
Garbage	(42,316)	Cops Grant	(20,536)
Nature Works	(397)	Cemetery	(10,427)

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 1999-21178-001 through 1999-21178-003.

We recommend the City establish internal control procedures and policies that will strengthen the controls over budgetary compliance.

Finding Number	1999-21178-005
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Ohio Rev. Code Sections 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.

Our tests indicated the City received note proceeds of \$3,500,000 on December 14, 1999 to be expended for the construction of the Justice Center. Further, review of the construction of the Justice Center revealed that \$445,773.63 in payments to contractors had been issued during December 1999. The City's December 1999 financial reports, as well as the December 31, 1999 cash reconciliation did not reflect the receipt of this note or the payments to the contractor referred to above.

As prescribed above, the City Auditor should have posted these transactions when they occurred and reported the revenue and expenditures on the City's financial reports. The remaining cash balance should have been reflected as fund balance and been included as part of the City's year end cash reconciliation. The City's financial statements have been adjusted to reflect these amounts.

We recommend the City establish control procedures to assure the Auditor keep accurate statements of all receipts and disbursement of the municipality.

Finding Number	1999-21178-006
-----------------------	----------------

Ohio Rev. Code Section 705.08, states that the Treasurer shall be the custodian of moneys of the municipal corporation, and shall keep the moneys in such manner and in such place as is determined by the legislative authority thereof. He shall pay out money only on warrants issued by the Auditor.

During our review of the construction of the Justice Center we noted that payments for work completed by the major contractors were made through the use of "official checks" and /or money orders issued by and drawn on Second National Bank, rather than using a check drawn against an official City account and following the normal Auditor and Treasurer disbursement authorization process. During the year ended December 31, 1999 these payments totaled \$445,773.63.

Contrary to the **Ohio Rev. Code Section 705.08**, no warrants were issued by the Auditor for the official bank checks and /or money orders used for payment of the contractors.

We recommend the City discontinue the practice described above and establish controls to assure the Treasurer complies with this **Section 705.08**.

Finding Number	1999-21178-007
-----------------------	----------------

Ohio Rev. Code Section 735.07, requires in the prosecution of any work or improvement under contract, to make alterations or modifications in the contract, such alterations or modifications shall only be made upon the order of the director of public service, but such order shall be of no effect until the price to be paid for the work and material or both, under the altered or modified contract, has been agreed upon in writing and signed by the service director on behalf of the City and the contractor, and approved by the board of control.

During the year ending December 31, 1999 the City had entered into four major contracts to build a new justice center. After entering into the original contracts, eight change orders for a total increase of \$92,273 were entered into prior to December 31, 1999. Contrary to Ohio Rev. Code Section 735.07 , the price to be paid for the work and material to be provided under these changes orders was not approved by the board of control.

We recommend that all change orders for work or improvements under contract be properly approved by the board of control.

Finding Number	1999-21178-008
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As described in Finding # 1999-21178-006 payments for work completed by the major contractors for the Justice Center were being made through the use of official checks issued by, and drawn on Second National Bank. The following description explains the process that was used to purchase the official checks and/or money orders .

On December 14, 1999, the City entered into a \$3,500,000 note agreement with Second National Bank and deposited all proceeds of this note into a new checking account with Second National Bank. On the following day, December 15, 1999, the City Treasurer and the City Auditor drew a check for cash against this account in the amount of \$445,773.63. The cash was paid to Second National Bank who in turn issued "official checks" numbered 939702068 through 939702071 to be drawn against the Bank, for payment of contractors performing work on the City's Justice Center Project. The following is a list of those checks:

Date	Check #	Contractors Name	Amount
12/15/99	939702068	Mike Coates Construction	\$334,900.68
12/15/99	939702069	Valley Electrical	41,676.00
12/15/99	939702070	The Middleton Corporation	9,952.56
12/15/99	939702071	Prout Boiler Heating and Welding	59,244.39

In addition as described in finding # 1999-21178-005 the transactions described above were not recorded on the City's December financial reports and they were never included as part of the City's budgetary process. These financial reports are presented to Council and the City's management on a monthly basis. By not including these transactions on the monthly financial reports City Council and/or the City's management is hindered in its ability to monitor and manage financial activity. Also the practice of issuing checks to cash increases the risk that theft or fraud could occur and not be detected in a timely manner.

We recognize that utilizing a separate checking account to receipt and expend funds associated with a specific project can be a useful method to account for and track the progress of a project. However, it still remains vital that these transactions are properly receipted, expended, and reported on the City's financial reports and statements. We therefore recommend that council establish policies and procedures to assure all financial activities be included on the City's financial reports and statements. We also recommend the practice of issuing checks to cash be discontinued. This would reduce the risk that theft or fraud could occur and not be detected in a timely manner.

Finding Number	1999-21178-009
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As noted in Finding # 1999-21178-008, the City Auditor provided council and management with monthly financial reports. Per discussions with the City Auditor and a Council member, as well as our review of the monthly reports, we noted the monthly reports included budgetary information as well as monthly fund cash balances. The budgetary information included estimated revenues versus actual receipts at a detailed level and appropriations versus actual expenditures at a detailed level equivalent to the City's budgetary level of control. Our review of these reports indicated that all instances of non-compliance reported above as finding numbers 1999-21178-001 through 1999-21178-004 were reflected on these reports. In addition, as described in finding number 1999-21178-008 above \$3,500,000 of note proceeds as well as \$445,773.63 of expenditures for the Justice Center project were not included on these reports.

Council and management should use these reports as a tool for monitoring the financial condition of the City, to make any necessary amendments to the estimated resources or appropriations to avoid budgetary non-compliance and overspending. In addition, these reports should also be used as a monitoring tool to provide council and management assurance that activity which they have approved is in fact being carried out and properly reported.

We recommend that City Council and management review these reports monthly for accuracy and use them as a tool to monitor the financial activity of the City. We also recommend that the City use these reports and amend the estimated resources and appropriations accordingly.

Finding Number	1999-21178-010
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During the year ending December 31, 1999 the City entered into the following major capital improvement project contracts:

Date	Project Title	Contractor	Contract Amount
May 27, 1999	Route 422 Widening	Ohio Edison Company	\$2,300,000
August 25, 1999	Justice Center	Mike Coates Construction Company Inc.	2,180,931
August 25, 1999	Justice Center	Valley Electrical Contractors	528,735
August 25, 1999	Justice Center	The Middleton Corporation	584,485
August 25, 1999	Justice Center	Prout Boiler Heating and Welding Inc.	291,400

The City entered into these contracts prior to establishing a formal plan or first securing financing for these projects. The practice of entering into contractual commitments prior to securing the financing could result in the City defaulting on these contracts.

To provide assurance that all contractual agreements can be met by the City we recommend the City establish a formal and viable financing plan and /or secure the funds for major capital improvement projects prior to entering into any contractual agreements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

CITY OF GIRARD
TRUMBULL COUNTY
JANUARY 1, 1999 THROUGH DECEMBER 31, 1999

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 <u>Longer Valid</u> ; <i>Explain:</i>
1998-21178-001	Ohio Rev Code Section 9.38 , requires public monies to be deposited with the treasurer or the depository once every twenty four hours. A finding for recovery was issued for \$24,293 against the former Municipal Court Clerk for monies collected and not deposited.	Yes	The former Clerk of Courts plead guilty to theft in office. She has been making restitution as prescribed by the Court.
1998-21178-002	Ohio Rev Code Section, 5705.41(B) , prohibits expenditures from exceeding appropriations.	No	This citation was reissued as Citation # 1999-21178-001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
MAY 9, 2002**