



**Auditor of State  
Betty Montgomery**



**CITY OF GIRARD  
TRUMBULL COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio (the City), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, and Street Construction, Maintenance and Repair Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 1 to the financial statements, the City has been declared to be in fiscal emergency under criteria established by Ohio Revised Code Chapter 118. This condition raises substantial doubt about the City's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



**Betty Montgomery**  
Auditor of State

February 15, 2006

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2004*  
*Unaudited*

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The discussion and analysis of the City of Girard's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements to enhance their understanding of the City's financial performance.

**Financial Highlights**

Financial highlights for 2004 are as follows:

- In total net assets increased by \$47,038 or 0.1 percent. Net assets of governmental activities decreased \$850,493, which represents a 2.3 percent decrease from 2003. Net assets of business-type activities increased \$897,531 which represents a 10.0 percent increase from 2003.
- All revenues totaled \$13,500,026. General revenues accounted for \$4,612,022 or 34.2 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$8,888,004 or 65.8 percent of all revenues.
- Total assets of governmental activities decreased by \$1,352,588, or 3.0 percent from 2003. Capital assets decreased by \$1,471,495, cash and cash equivalents decreased \$397,269.
- The City had \$9,193,110 in expenses related to governmental activities while only \$3,730,595 of these expenses was offset by program specific charges for services and grants and contributions. Governmental activities general revenues equaled \$4,612,022 in 2004, of which \$648,539 were property tax monies, \$3,515,917 were income tax monies and the remaining \$447,566 was generated from grants and entitlements, interest and miscellaneous revenues.

**Using this Annual Financial Report**

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

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

**City of Girard**  
*Management's Discussion and Analysis*  
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**Reporting on the City of Girard as a Whole**

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

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

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

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

**Reporting on the Most Significant Funds of the City of Girard**

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the street construction, maintenance and repair special revenue fund.

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

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

The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

**City of Girard**  
*Management's Discussion and Analysis*  
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**The City of Girard as a Whole**

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2004 as they compare to 2003.

(Table 1)  
*Net Assets*

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current and Other Assets	\$2,903,396	\$2,784,489	\$2,188,408	\$1,765,810	\$5,091,804	\$4,550,299
Capital Assets, Net	40,572,941	42,044,436	12,009,734	12,187,675	52,582,675	54,232,111
<i>Total Assets</i>	<u>43,476,337</u>	<u>44,828,925</u>	<u>14,198,142</u>	<u>13,953,485</u>	<u>57,674,479</u>	<u>58,782,410</u>
<b>Liabilities</b>						
Current Liabilities	1,303,848	1,423,286	390,139	516,155	1,693,987	1,939,441
Long-term Liabilities						
Due within one Year	455,545	486,441	558,951	543,014	1,014,496	1,029,455
Due in More than one Year	6,621,240	6,996,247	3,519,521	4,062,316	10,140,761	11,058,563
<i>Total Liabilities</i>	<u>8,380,633</u>	<u>8,905,974</u>	<u>4,468,611</u>	<u>5,121,485</u>	<u>12,849,244</u>	<u>14,027,459</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	34,686,321	35,708,734	8,103,397	7,762,132	42,789,718	43,470,866
Restricted for:						
Capital Projects	599,111	1,119,896	0	0	599,111	1,119,896
Debt Service	109,645	0	0	0	109,645	0
State Highway	119,000	117,777	0	0	119,000	117,777
Street Permissive	73,683	172,831	0	0	73,683	172,831
Garbage	216,691	181,624	0	0	216,691	181,624
Other Purposes	976,135	828,605	0	0	976,135	828,605
Unrestricted	(1,684,882)	(2,183,270)	1,626,134	1,069,868	(58,748)	(1,113,402)
<i>Total Net Assets</i>	<u>\$35,095,704</u>	<u>\$35,946,197</u>	<u>\$9,729,531</u>	<u>\$8,832,000</u>	<u>\$44,825,235</u>	<u>\$44,778,197</u>

The total net assets of the City, including both governmental and business-type activities, are \$44,825,235, which was a increase of \$47,038 from last year. Approximately 95 percent of the City's net assets are investments in capital assets, such as machinery and equipment, buildings, infrastructure, and vehicles. Debt issued to acquire assets in the governmental-type activities is paid for from income tax and licensing fees. Outstanding debt for the City was reduced by more than \$932,761 during 2004. In the business-type activities, user fees are the primary revenue source for the repayment of debt.

The reduction in net assets was a result of many factors, including reductions in cash equivalents, income taxes receivable, accounts receivable, and intergovernmental receivable.

**City of Girard**  
*Management's Discussion and Analysis*  
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Table 2 shows the changes in net assets for 2004.

(Table 2)  
*Changes in Net Assets*

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
<b>Program Revenues</b>						
Charges for Services and Sales	\$1,467,221	\$1,977,347	\$4,702,926	\$3,832,129	\$6,170,147	\$5,809,476
Operating Grants and Contributions	1,768,088	1,162,655	0	0	1,768,088	1,162,655
Capital Grants and Contributions	495,286	1,268,910	454,483	0	949,769	1,268,910
<i>Total Program Revenues</i>	<u>3,730,595</u>	<u>4,408,912</u>	<u>5,157,409</u>	<u>3,832,129</u>	<u>8,888,004</u>	<u>8,241,041</u>
<b>General Revenues</b>						
Property Taxes	648,539	651,789	0	0	648,539	651,789
Municipal Income Tax	3,515,917	2,726,960	0	0	3,515,917	2,726,960
Grants and Entitlements	388,146	607,586	0	0	388,146	607,586
Interest	18,263	23,323	0	0	18,263	23,323
Miscellaneous	41,157	84,376	0	0	41,157	84,376
<i>Total General Revenues</i>	<u>4,612,022</u>	<u>4,094,034</u>	<u>0</u>	<u>0</u>	<u>4,612,022</u>	<u>4,094,034</u>
<i>Total Revenues</i>	<u>8,342,617</u>	<u>8,502,946</u>	<u>5,157,409</u>	<u>3,832,129</u>	<u>13,500,026</u>	<u>12,335,075</u>
<b>Program Expenses</b>						
General Government	2,490,609	2,286,767	0	0	2,490,609	2,286,767
Security of Persons and Property	3,007,255	3,462,338	0	0	3,007,255	3,462,338
Public Health Services	291,294	255,021	0	0	291,294	255,021
Transportation	1,684,452	2,199,161	0	0	1,684,452	2,199,161
Community Development	812,654	979,162	0	0	812,654	979,162
Basic Utility Services	588,901	406,036	0	0	588,901	406,036
Leisure Time Activities	79,144	83,036	0	0	79,144	83,036
Interest and Fiscal Charges	238,801	322,313	296,714	520,582	535,515	842,895
Water	0	0	2,172,012	1,419,035	2,172,012	1,419,035
Sewer	0	0	1,791,152	2,031,224	1,791,152	2,031,224
<i>Total Program Expenses</i>	<u>9,193,110</u>	<u>9,993,834</u>	<u>4,259,878</u>	<u>3,970,841</u>	<u>13,452,988</u>	<u>13,964,675</u>
<i>Change in Net Assets</i>	<u>(850,493)</u>	<u>(1,490,888)</u>	<u>897,531</u>	<u>(138,712)</u>	<u>47,038</u>	<u>(1,629,600)</u>
Net Assets Beginning of the Year	<u>35,946,197</u>	<u>37,437,085</u>	<u>8,832,000</u>	<u>8,970,712</u>	<u>44,778,197</u>	<u>46,407,797</u>
Net Assets End of the Year	<u>\$35,095,704</u>	<u>\$35,946,197</u>	<u>\$9,729,531</u>	<u>\$8,832,000</u>	<u>\$44,825,235</u>	<u>\$44,778,197</u>

**City of Girard**  
*Management's Discussion and Analysis*  
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**Governmental Activities**

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The income tax rate is 2.0 percent and generated \$3,515,917 in revenue for 2004, accounting for approximately 42.1 percent of governmental activities revenue. The revenue collected from the income tax, less funds necessary to run the Income Tax Department, were receipted into the following funds: 83.90 percent went to the general fund, 1.00 percent went into the recreation fund and 15.10 percent went into the general obligation bond retirement fund. Unrestricted State shared revenues and local government funds for 2004 amounted to \$388,146 and represented approximately 4.65 percent of governmental activities revenue.

Actual income tax collections for 2004 were 28.9 percent higher than 2003. This increase is a direct result of more delinquencies being collected than the previous year.

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

Over 32.7 percent of governmental activities expenditures are allocated to the police and fire departments. The police department employs fifteen officers and three full-time dispatchers. The fire department employs thirteen full-time positions and numerous part-time personnel.

As previously stated, the Girard Municipal Court is accounted for within the City of Girard's books. Approximately 7 percent of the governmental activities expenditures can be attributed to the operation of the court. It should also be pointed out that the Girard Municipal Court is self-sustaining financially and does not require any additional funding.

The City's transportation department accounted for 18.3 percent of the expenditures in the governmental activities due to \$1,075,529 in depreciation.

**Business – Type Activities**

The City operates two business-type activities; the water and sewer treatment facility. These two funds generated revenues of \$2,731,138 from water and \$1,971,788 from the sewer plant facility. Water expenses for 2004 amounted to \$2,173,979, and \$1,793,250 for the Sewer plant. For 2004, 6,900 water customers and 4,800 sewer customers were serviced. Approximately 45,000,000 gallons are billed and processed on a monthly basis.

**The City's Funds**

Information about the City's governmental funds begins on page 16. The funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues amounting to \$7,466,305 and expenditures of \$8,296,005. The general fund concluded the fiscal year with a deficit fund balance of \$1,438,860. The City passed a 3 mill fire levy on the November 2004 ballot that will generate approximately \$333,000 annually for the next five years.

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Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. Net assets have increased from 2003 in both of these funds. These funds had total operating revenue of \$4,702,926 and total operating expenses of \$3,967,229. If expenses were to exceed revenue and dramatically affect net assets, the City has the power to increase revenue through rate increases and would do so.

**General Fund Budgeting Highlights**

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2004, final estimated revenues for the general fund were \$4,639,136, and actual revenues received were \$4,626,412 or \$12,724 lower than final estimated revenues. City Council final appropriations were \$4,740,010, which were \$66,074 greater than actual expenditures.

Both the original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year. During the course of 2004, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed. The original revenues exceeded the original budgeted appropriations by \$99,852.

**Capital Assets and Debt Administration**

*Capital Assets*

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

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2003	2002
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	7,631,196	7,699,779	7,165,958	7,308,714	14,797,154	15,008,493
Furniture, Fixtures and Equipment	643,983	718,406	88,506	104,256	732,489	822,662
Vehicles	132,709	200,219	140,462	141,303	273,171	341,522
Infrastructure						
Streets	24,222,509	25,184,840	0	0	24,222,509	25,184,840
Sidewalks	5,931,130	6,189,005	0	0	5,931,130	6,189,005
Curbs	937,774	978,547	0	0	937,774	978,547
Water and Sewer Lines	0	0	427,639	446,233	427,639	446,233
<b>Total Capital Assets</b>	<b>\$40,572,941</b>	<b>\$42,044,436</b>	<b>\$12,009,734</b>	<b>\$12,187,675</b>	<b>\$52,582,675</b>	<b>\$54,232,111</b>

Total capital assets for the governmental activities, net of accumulated depreciation, were \$40,572,941, which was a \$1,471,495 decrease from the prior year. The main reason for this decrease was an additional year of accumulated depreciation being taken.

**City of Girard**  
*Management's Discussion and Analysis*  
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Total capital assets for the business type activities, net of accumulated depreciation, were \$12,009,734 or a decrease from the prior year of \$177,941. This decrease was also the result of an additional year of accumulated depreciation being taken. The City made no significant purchases, or engaged in any construction projects in 2004. See Note 10 for additional information on capital assets.

**Debt**

The City had \$11,155,257 in outstanding long-term obligations at the end of the year. The long-term obligations include commercial loans, OPWC and OWDA loans, police and fire pensions, capital leases and compensated absences.

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

	Governmental Activities		Business Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Loans Payable	\$5,761,995	\$6,155,945	\$0	\$0	\$5,761,995	\$6,155,945
Capital Improvement Loan	0	9,286	0	0	0	9,286
OPWC Loans	124,625	133,220	0	0	124,625	133,220
OWDA Loans	0	0	3,906,337	4,388,381	3,906,337	4,388,381
Police and Fire Pension	291,801	296,424	0	0	291,801	296,424
Capital Leases	0	37,251	0	37,162	0	74,413
Compensated Absences	898,364	850,562	172,135	179,787	1,070,499	1,030,349
<b>Total</b>	<b>\$7,076,785</b>	<b>\$7,482,688</b>	<b>\$4,078,472</b>	<b>\$4,605,330</b>	<b>\$11,155,257</b>	<b>\$12,088,018</b>

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

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

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

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

In prior years, the City has entered into a lease for a pumper truck and automated water which were being paid from the capital improvements capital projects fund and the water proprietary fund, respectively. In 2004 the City had made the final lease payment for both leases.

The increase in compensated absences was the result of the accrual of sick and vacation time earned by the City's full-time employees.

**City of Girard**  
*Management's Discussion and Analysis*  
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The City of Girard's overall legal debt margin was \$23,428,045 on December 31, 2004. For more information about the City's long-term obligations, see Note 12 to the basic financial statements.

**Current Financial Issues**

The City of Girard was placed in fiscal emergency in 2001. The City continues to maintain overall services that were offered prior to the placement into fiscal emergency, although there has been some reduction. The City continues to strive to reduce the negative fund results that were the cause of the fiscal emergency. As of the end of 2004, \$512,553 has been reduced from the original negative fund balances.

In 2002, The City's unions recognized the serious financial situation that exists and agreed to a three-year wage freeze. These current contracts run through 2006.

**Contacting the City of Girard's Financial Management**

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

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**City of Girard, Ohio**

*Statement of Net Assets*

*December 31, 2004*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$215,666	\$1,687,915	\$1,903,581
Accrued Interest Receivable	1,077	0	1,077
Accounts Receivable	40,792	470,350	511,142
Internal Balances	1,541	(1,541)	0
Intergovernmental Receivable	1,345,239	0	1,345,239
Property Taxes Receivable	732,696	0	732,696
Income Taxes Receivable	540,999	0	540,999
Special Assessments Receivable	5,497	684	6,181
Prepaid Items	19,889	31,000	50,889
Nondepreciable Capital Assets	1,073,64	4,187,169	1,073,640
Depreciable Capital Assets, Net	39,499,301	7,822,565	51,509,035
<i>Total Assets</i>	<u>43,476,337</u>	<u>14,198,142</u>	<u>57,674,479</u>
<b>Liabilities</b>			
Accounts Payable	62,096	126,706	188,802
Accrued Wages	130,317	30,846	161,163
Intergovernmental Payable	418,655	93,782	512,437
Matured Compensated Absences Payable	34,940	0	34,940
Accrued Interest Payable	1,034	138,805	139,839
Claims Payable	6,713	0	6,713
Deferred Revenue	650,093	0	650,093
Long-Term Liabilities:			
Due Within One Year	455,545	558,951	1,014,496
Due In More Than One Year	6,621,240	3,519,521	10,140,761
<i>Total Liabilities</i>	<u>8,380,633</u>	<u>4,468,611</u>	<u>12,849,244</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	34,686,321	8,103,397	42,789,718
Restricted for:			
Capital Projects	599,111	0	599,111
Debt Service	109,645	0	109,645
State Highway	119,000	0	119,000
Street Permissive	73,683	0	73,683
Garbage	216,691	0	216,691
Other Purposes	976,135	0	976,135
Unrestricted (Deficit)	(1,684,882)	1,626,134	(58,748)
<i>Total Net Assets</i>	<u>\$35,095,704</u>	<u>\$9,729,531</u>	<u>\$44,825,235</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$2,489,221	\$638,140	\$28,716	\$47,793
Security of Persons and Property	3,007,255	702,501	0	0
Public Health Services	291,294	39,662	72,182	0
Transportation	1,684,452	167	1,012,659	0
Community Development	812,654	189,219	663,646	0
Basic Utility Services	588,901	0	41,405	275,275
Leisure Time Activities	79,144	13,930	5,300	0
Interest and Fiscal Charges	240,189	0	0	0
<i>Total Governmental Activities</i>	<u>9,193,110</u>	<u>1,583,619</u>	<u>1,823,908</u>	<u>323,068</u>
<b>Business-Type Activities:</b>				
Water	2,334,479	2,731,138	4,232	0
Sewer	1,925,399	1,971,788	450,251	0
<i>Total Business-Type Activities</i>	<u>4,259,878</u>	<u>4,702,926</u>	<u>454,483</u>	<u>0</u>
<i>Total</i>	<u>\$13,452,988</u>	<u>\$6,286,545</u>	<u>\$2,278,391</u>	<u>\$323,068</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Garbage

Cemetery

Police Pension

Fire Pension

Income Taxes Levied for:

General Purposes

Debt Service

Recreation

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,774,572)	\$0	(\$1,774,572)
(2,304,754)	0	(2,304,754)
(179,450)	0	(179,450)
(671,626)	0	(671,626)
40,211	0	40,211
(272,221)	0	(272,221)
(59,914)	0	(59,914)
(240,189)	0	(240,189)
<u>(5,462,515)</u>	<u>0</u>	<u>(5,462,515)</u>
0	400,891	400,891
0	496,640	496,640
<u>0</u>	<u>897,531</u>	<u>897,531</u>
<u>(5,462,515)</u>	<u>897,531</u>	<u>(4,564,984)</u>
260,601	0	260,601
296,178	0	296,178
22,940	0	22,940
34,410	0	34,410
34,410	0	34,410
3,018,555	0	3,018,555
465,099	0	465,099
32,263	0	32,263
388,146	0	388,146
18,263	0	18,263
41,157	0	41,157
<u>4,612,022</u>	<u>0</u>	<u>4,612,022</u>
(850,493)	897,531	47,038
<u>35,946,197</u>	<u>8,832,000</u>	<u>44,778,197</u>
<u>\$35,095,704</u>	<u>\$9,729,531</u>	<u>\$44,825,235</u>

**City of Girard, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2004*

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$0	\$215,666	\$215,666
Receivables:				
Property Taxes	296,111	0	436,585	732,696
Income Taxes	455,413	0	85,586	540,999
Accounts	23,927	0	16,865	40,792
Intergovernmental	216,521	584,555	544,163	1,345,239
Special Assessments	415	0	5,082	5,497
Accrued Interest	1,077	0	0	1,077
Interfund Receivable	0	161,538	1,017,195	1,178,733
Prepaid Items	11,389	7,500	1,000	19,889
<i>Total Assets</i>	<u>\$1,004,853</u>	<u>\$753,593</u>	<u>\$2,322,142</u>	<u>\$4,080,588</u>
<b>Liabilities</b>				
Accounts Payable	\$26,712	\$4,461	\$30,923	\$62,096
Accrued Wages	116,413	10,342	3,562	130,317
Intergovernmental Payable	260,506	51,979	106,170	418,655
Interfund Payable	1,166,387	0	12,346	1,178,733
Deferred Revenue	838,755	529,803	1,035,815	2,404,373
Matured Compensated Absences Payable	34,940	0	0	34,940
<i>Total Liabilities</i>	<u>2,443,713</u>	<u>596,585</u>	<u>1,188,816</u>	<u>4,229,114</u>
<b>Fund Balances</b>				
Reserved for Encumbrances	6,829	0	5,286	12,115
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(1,445,689)	0	0	(1,445,689)
Special Revenue Funds	0	157,008	491,207	648,215
Debt Service Funds	0	0	42,603	42,603
Capital Projects Funds	0	0	594,230	594,230
<i>Total Fund Balances (Deficit)</i>	<u>(1,438,860)</u>	<u>157,008</u>	<u>1,133,326</u>	<u>(148,526)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,004,853</u>	<u>\$753,593</u>	<u>\$2,322,142</u>	<u>\$4,080,588</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2004*

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**Total Governmental Fund Balances** (\$148,526)

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

Capital assets used in governmental activities are not financial resources and  
 therefore are not reported in the funds. 40,572,941

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

Property Taxes	82,603
Income Taxes	452,377
Intergovernmental	1,213,803
Special Assessments	5,497
	_____

Total 1,754,280

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

Net Assets	(6,713)
Internal Balances	1,541
	_____

Total (5,172)

In the statement of activities, interest is accrued on outstanding bonds, whereas  
 in governmental funds, an interest expenditure is reported when due. (1,034)

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

Compensated Absences	(898,364)
Loans Payable	(5,761,995)
OPWC Loans Payable	(124,625)
Police and Fire Pension Loan	(291,801)
	_____

Total (7,076,785)

*Net Assets of Governmental Activities* \$35,095,704

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Street Construction, Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Taxes	\$260,060	\$0	\$387,342	\$647,402
Municipal Income Taxes	2,716,354	0	440,569	3,156,923
Special Assessments	0	0	5,908	5,908
Charges for Services	275,265	0	66,135	341,400
Fees, Licenses and Permits	67,304	0	39,168	106,472
Fines and Forfeitures	821,292	0	365,115	1,186,407
Intergovernmental	389,084	699,882	871,899	1,960,865
Interest	18,175	0	88	18,263
Contributions and Donations	0	0	1,508	1,508
Other	34,877	6,005	275	41,157
<i>Total Revenues</i>	<u>4,582,411</u>	<u>705,887</u>	<u>2,178,007</u>	<u>7,466,305</u>
<b>Expenditures</b>				
Current:				
General Government	1,792,372	0	84,838	1,877,210
Security of Persons and Property	2,815,072	0	179,797	2,994,869
Public Health Services	120,955	0	180,463	301,418
Transportation	671	601,097	185,019	786,787
Community Development	2,889	0	494,198	497,087
Basic Utility Services	0	0	303,198	303,198
Leisure Time Activities	0	0	66,086	66,086
Capital Outlay	0	0	776,250	776,250
Debt Service:				
Principal Retirement	0	8,595	445,110	453,705
Interest and Fiscal Charges	0	0	239,395	239,395
<i>Total Expenditures</i>	<u>4,731,959</u>	<u>609,692</u>	<u>2,954,354</u>	<u>8,296,005</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(149,548)</u>	<u>96,195</u>	<u>(776,347)</u>	<u>(829,700)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	81,500	0	0	81,500
Transfers Out	0	0	(81,500)	(81,500)
<i>Total Other Financing Sources (Uses)</i>	<u>81,500</u>	<u>0</u>	<u>(81,500)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(68,048)	96,195	(857,847)	(829,700)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,370,812)</u>	<u>60,813</u>	<u>1,991,173</u>	<u>681,174</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,438,860)</u>	<u>\$157,008</u>	<u>\$1,133,326</u>	<u>(\$148,526)</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2004*

**Net Change in Fund Balances - Total Governmental Funds** (\$829,700)

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

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

Capital Outlay	218,262
Depreciation	(1,689,757)

Total (1,471,495)

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

Property Taxes	1,137
Income Taxes	358,994
Intergovernmental	510,684
Special Assessments	5,497

Total 876,312

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 453,705

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 594

Some expenses do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(47,802)
Pension Obligation	154,250

Total 106,448

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

Change in Net Assets	17,708
Internal Balances	(4,065)

Total 13,643

*Change in Net Assets of Governmental Activities* (\$850,493)

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property and Other Taxes	\$243,085	\$253,836	\$260,060	\$6,224
Municipal Income Taxes	2,675,551	2,676,003	2,771,066	95,063
Charges for Services	279,360	287,000	275,366	(11,634)
Fees, Licenses and Permits	66,190	68,000	67,304	(696)
Fines and Forfeitures	788,664	810,234	826,198	15,964
Intergovernmental	443,389	451,413	374,184	(77,229)
Interest	29,201	30,000	17,357	(12,643)
Other	60,982	62,650	34,877	(27,773)
<i>Total Revenues</i>	<u>4,586,422</u>	<u>4,639,136</u>	<u>4,626,412</u>	<u>(12,724)</u>
<b>Expenditures</b>				
Current:				
General Government	1,694,888	1,791,454	1,749,704	41,750
Security of Persons and Property	2,663,563	2,814,232	2,797,250	16,982
Public Health Services	124,901	130,924	124,093	6,831
Community Development	3,218	3,400	2,889	511
<i>Total Expenditures</i>	<u>4,486,570</u>	<u>4,740,010</u>	<u>4,673,936</u>	<u>66,074</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>99,852</u>	<u>(100,874)</u>	<u>(47,524)</u>	<u>53,350</u>
<b>Other Financing Sources</b>				
Transfers In	81,500	81,500	81,500	0
<i>Net Change in Fund Balance</i>	181,352	(19,374)	33,976	53,350
<i>Fund Deficit Beginning of Year</i>	(1,230,284)	(1,230,284)	(1,230,284)	0
Prior Year Encumbrances Appropriated	15,484	15,484	15,484	0
<i>Fund Deficit End of Year</i>	<u>(\$1,033,448)</u>	<u>(\$1,234,174)</u>	<u>(\$1,180,824)</u>	<u>\$53,350</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 Street Construction, Maintenance and Repair Fund  
 For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$545,583	\$653,500	\$672,230	\$18,730
Other	417	500	6,005	5,505
<i>Total Revenues</i>	<u>546,000</u>	<u>654,000</u>	<u>678,235</u>	<u>24,235</u>
<b>Expenditures</b>				
Current:				
Transportation	534,254	597,254	597,117	137
Debt Service:				
Principal Retirement	8,595	8,595	8,595	0
<i>Total Expenditures</i>	<u>542,849</u>	<u>605,849</u>	<u>605,712</u>	<u>137</u>
<i>Net Change in Fund Balance</i>	3,151	48,151	72,523	24,372
<i>Fund Balance Beginning of Year</i>	82,441	82,441	82,441	0
Prior Year Encumbrances Appropriated	5,849	5,849	5,849	0
<i>Fund Balance End of Year</i>	<u>\$91,441</u>	<u>\$136,441</u>	<u>\$160,813</u>	<u>\$24,372</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2004*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$699,627	\$988,288	\$1,687,915	\$0
Accounts Receivable	208,658	261,692	470,350	0
Special Assessments Receivable	0	684	684	0
Prepaid Items	15,000	16,000	31,000	0
<i>Total Current Assets</i>	<u>923,285</u>	<u>1,266,664</u>	<u>2,189,949</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	2,196,631	5,625,934	7,822,565	0
<i>Total Noncurrent Assets</i>	<u>3,883,800</u>	<u>8,125,934</u>	<u>12,009,734</u>	<u>0</u>
<i>Total Assets</i>	<u>4,807,085</u>	<u>9,392,598</u>	<u>14,199,683</u>	<u>0</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	98,691	28,015	126,706	0
Accrued Wages	15,317	15,529	30,846	0
Intergovernmental Payable	45,577	48,205	93,782	0
Accrued Interest Payable	78,729	60,076	138,805	0
Compensated Absences Payable	25,390	13,632	39,022	0
OWDA Loans Payable	144,459	375,470	519,929	0
Claims Payable	0	0	0	6,713
<i>Total Current Liabilities</i>	<u>408,163</u>	<u>540,927</u>	<u>949,090</u>	<u>6,713</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable (net of current portion)	67,868	65,245	133,113	0
OWDA Loans Payable (net of current portion)	2,211,478	1,174,930	3,386,408	0
<i>Total Long-Term Liabilities</i>	<u>2,279,346</u>	<u>1,240,175</u>	<u>3,519,521</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,687,509</u>	<u>1,781,102</u>	<u>4,468,611</u>	<u>6,713</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,527,863	6,575,534	8,103,397	0
Unrestricted (Deficit)	591,713	1,035,962	1,627,675	(6,713)
<i>Total Net Assets (Deficit)</i>	<u>\$2,119,576</u>	<u>\$7,611,496</u>	<u>9,731,072</u>	<u>(\$6,713)</u>

Net assets reported for business-type activities in the statement of net assets are different because they include accumulated underpayments to the internal service funds: (1,541)

Net assets of business-type activities \$9,729,531

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2004*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Operating Revenues</b>				
Charges for Services	\$2,731,138	\$1,971,104	\$4,702,242	\$990,956
Special Assessments	0	684	684	0
<i>Total Operating Revenues</i>	<u>2,731,138</u>	<u>1,971,788</u>	<u>4,702,926</u>	<u>990,956</u>
<b>Operating Expenses</b>				
Personal Services	583,126	573,652	1,156,778	0
Materials and Supplies	152,009	410,962	562,971	0
Contractual Services	1,385,595	594,441	1,980,036	79,561
Depreciation	43,118	162,110	205,228	0
Claims	0	0	0	893,687
Other	10,131	52,085	62,216	0
<i>Total Operating Expenses</i>	<u>2,173,979</u>	<u>1,793,250</u>	<u>3,967,229</u>	<u>973,248</u>
<i>Operating Income</i>	557,159	178,538	735,697	17,708
<b>Non-Operating Expenses</b>				
Interest and Fiscal Charges	(162,467)	(134,247)	(296,714)	0
<i>Income before Capital Contributions</i>	394,692	44,291	438,983	17,708
Capital Contributions	4,232	450,251	454,483	0
<i>Change in Net Assets</i>	398,924	494,542	893,466	17,708
<i>Net Assets (Deficit) Beginning of Year</i>	<u>1,720,652</u>	<u>7,116,954</u>		<u>(24,421)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$2,119,576</u>	<u>\$7,611,496</u>		<u>(\$6,713)</u>

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

	<u>4,065</u>
Change in net assets of business-type activities	<u>\$897,531</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2004

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$2,690,496	\$1,884,043	\$4,574,539	\$994,514
Cash Payments to Employees for Services	(642,627)	(606,747)	(1,249,374)	0
Cash Payments for Goods and Services	(1,552,604)	(1,042,690)	(2,595,294)	(79,561)
Cash Payments for Claims	0	0	0	(914,953)
Other Cash Payments	(10,131)	(52,085)	(62,216)	0
<i>Net Cash Provided by Operating Activities</i>	<u>485,134</u>	<u>182,521</u>	<u>667,655</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Capital Contributions	4,232	450,251	454,483	0
Payments for Capital Acquisitions	0	(27,287)	(27,287)	0
Principal Paid on OWDA Loans	(135,379)	(346,665)	(482,044)	0
Interest Paid on OWDA Loans	(166,308)	(148,641)	(314,949)	0
Principal Paid on Capital Lease	(37,162)	0	(37,162)	0
Interest Paid on Capital Lease	(1,550)	0	(1,550)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(336,167)</u>	<u>(72,342)</u>	<u>(408,509)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	148,967	110,179	259,146	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>550,660</u>	<u>878,109</u>	<u>1,428,769</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$699,627</u>	<u>\$988,288</u>	<u>\$1,687,915</u>	<u>\$0</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>				
Operating Income	<u>\$557,159</u>	<u>\$178,538</u>	<u>\$735,697</u>	<u>\$17,708</u>
Adjustments:				
Depreciation	43,118	162,110	205,228	0
(Increase) Decrease in Assets:				
Accounts Receivable	(40,642)	(87,061)	(127,703)	3,558
Special Assessments Receivable	0	(684)	(684)	0
Prepaid Items	(15,000)	(16,000)	(31,000)	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(59,005)	(63,135)	(122,140)	0
Accrued Wages	3,308	3,467	6,775	0
Claims Payable	0	0	0	(21,266)
Compensated Absences Payable	(7,366)	(286)	(7,652)	0
Intergovernmental Payable	3,562	5,572	9,134	0
<i>Total Adjustments</i>	<u>(72,025)</u>	<u>3,983</u>	<u>(68,042)</u>	<u>(17,708)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$485,134</u>	<u>\$182,521</u>	<u>\$667,655</u>	<u>\$0</u>

**Noncash Capital Financing Activities**

During 2004, the Ohio Water Development Authority subsidized an OWDA payment in the amount of \$454,483 for the water and sewer enterprise fund.

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*December 31, 2004*

	Private Purpose Trust	
	Memorial	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,640	\$0
Cash and Cash Equivalents in Segregated Accounts	0	70,707
<i>Total Assets</i>	4,640	\$70,707
<b>Liabilities</b>		
Undistributed Monies	0	\$70,707
<i>Total Liabilities</i>	0	\$70,707
<b>Net Assets</b>		
Held in Trust for Endowment	\$4,640	

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2004*

	Private Purpose Trust
	Memorial
<b>Additions</b>	
Interest	\$20
<b>Deductions</b>	
Contractual Services	330
<i>Change in Net Assets</i>	(310)
<i>Net Assets Beginning of Year</i>	4,950
<i>Net Assets End of Year</i>	\$4,640

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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**Note 1 – Description of the City and Reporting Entity**

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

On August 8, 2001, the Auditor of State’s office declared the City of Girard to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations and two representatives from the State of Ohio. This Commission approved a financial recovery plan which had been adopted by the City and the plan must be updated annually. Once the plan has been adopted, the City’s discretion is limited in that all financial activity of the City must be in accordance with the plan.

***Reporting Entity***

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

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

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

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

**Note 2 – Summary of Significant Accounting Policies**

The financial statements of the City of Girard have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Pronouncements and Interpretations issued after November 30, 1989 to its business-type activities and to its enterprise funds. The more significant of the City's accounting policies are described below.

***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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

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

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

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

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

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

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

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

***Fiduciary Funds***

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

***C. Measurement Focus***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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

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

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

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

***D. Basis of Accounting***

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

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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

Property taxes for which there is an enforceable legal claim as of December 31, 2004, but which were levied to finance year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***E. Cash and Cash Equivalents***

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

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

During 2004, 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 2004 amount to \$18,175, which includes \$18,175 assigned from other City funds.

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

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***G. Inventory***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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**H. Capital Assets**

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

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

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

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

For 2004, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

**I. Interfund Balances**

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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***J. Compensated Absences***

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

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

The entire compensated absence liability is reported on the government-wide financial statement.

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

***K. Accrued Liabilities and Long-Term Obligations***

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

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

***L. Fund Balance Reserves***

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

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$2,094,265 of restricted net assets, of which \$437,244 is restricted by enabling legislation. Net assets restricted for other purposes include health services, elderly bus fare, community block grant and cemetery.

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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***N. Operating Revenues and Expenses***

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

***O. Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

***P. Interfund Activity***

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

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

***Q. Extraordinary and Special Items***

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

***R. Estimates***

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

***S. Budgetary Process***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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

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

**Note 3 - Change in Accounting Principles**

For 2004, the City has implemented GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units,” GASB Statement No. 46, “Net Assets Restricted by Enabling Legislation” and GASB Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.”

GASB Statement No. 39 states that entities for which a primary government is not financially accountable may still be reported as component units based on the nature and significance of their relationship with the primary government.

GASB Statement No.46 clarifies when net assets should be considered restricted based upon enabling legislation.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 39, GASB Statement No. 46 and GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements of the City.

**Note 4 – Accountability and Compliance**

**A. Accountability**

Fund balances at December 31, 2004, include the following individual fund deficits:

	<u>Deficit Fund Balance</u>
General Fund	\$1,438,860
<i>Special Revenue Funds:</i>	
Recreation Fund	15,190
Fire Pension Fund	48,411
Police Pension Fund	41,710

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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

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

***B. Compliance***

The litter special revenue fund had total original and final appropriations in excess of estimated resources plus carryover balances in the amount of \$100,000, respectively, contrary to Section 5705.39, Revised Code.

The budgetary financial statements reflect amounts that ordinarily would result in noncompliance citations under Revised Code Chapter 5705. Since the City is in fiscal emergency, however, its financial operations are restricted by the provisions of Chapter 118 rather than Chapter 5705. Citations to Chapter 5705 are therefore presented only for funds which did not contribute to the City being placed in fiscal emergency.

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Unrecorded cash, which consists of unrecorded interest, is not reported by the City on the operating statements (budget), but is reported on the GAAP basis operating statements

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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

	Net Change in Fund Balance	
	General	Street Construction, Maintenance and Repair
GAAP Basis	(\$68,048)	\$96,195
Net Adjustment for Revenue Accruals	44,260	(27,652)
Beginning Unrecorded Cash	(259)	0
Net Adjustment for Expenditures Accruals	72,460	4,705
Encumbrances	(14,437)	(725)
Budget Basis	\$33,976	\$72,523

**Note 6 - Deposits and Investments**

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits 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 deposits 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 finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies reported with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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;

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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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 obligations 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 (STAROhio).

The City cannot invest in the following: a fund established by another public body for the purpose of investing public money of other subdivisions unless the fund is either STAROhio or a fund created solely for the purpose of acquiring, constructing, owning, leasing or operating municipal utilities as authorized under Revised Code Section 715.02 or Section 4 of Article XVIII of the Ohio Constitution.

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. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or qualified trustee 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 \$1,199,506 and the bank balance was \$1,440,758. Of the bank balance:

1. \$340,950 was covered by federal depository insurance.
2. \$1,099,808 was uncollateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

**Investments** Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. The City's only investment was a repurchase agreement under category 3 with a carrying/fair value of \$779,422.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
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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. Cash and cash equivalents are defined to include investments with maturities of three months or less at the time of their purchase by the City.

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

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$1,978,928	\$0
Investments:		
Repurchase Agreement	(779,422)	779,422
<i>GASB Statement No. 3</i>	\$1,199,506	\$779,422

**Note 7 - Receivables**

Receivables at December 31, 2004, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant and collected within one year. Special assessments are expected to be collected within one year.

**A. Property Taxes**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2004 for real and public utility property taxes represents collections of the 2003 taxes. Property tax payments received during 2004 for tangible personal property (other than public utility property) are for 2004 taxes.

2004 real property taxes are levied after October 1, 2004, on the assessed value as of January 1, 2004, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2004 real property taxes are collected in and intended to finance 2005.

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. 2004 public utility property taxes which became a lien December 31, 2003, are levied after October 1, 2004, and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after October 1, 2003, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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The full tax rate for all City operations for the year ended December 31, 2004, was \$7.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	\$109,553,300
Public Utility Property	5,718,290
Tangible Personal Property	<u>14,180,647</u>
Total Assessed Values	<u><u>\$129,452,237</u></u>

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Girard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2004 and for which there is an enforceable legal claim. In the general fund, the general obligation bond retirement fund, the road improvement capital projects fund and the police and fire pension special revenue funds, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2004 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

***B. Income Taxes***

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 83.9 percent to the general fund, 1.0 percent to the recreation special revenue fund and 15.10 percent to the bond retirement debt service fund.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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**C. Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Gasoline and Municipal Cents per Gallon	\$619,004
CHIS/CHIPS Grant	392,292
Local Government and Local Government Revenue Assistance	154,372
Permissive Tax	73,561
Estate Tax	45,902
Homestead and Rollback	39,565
Street Construction, Maintenance and Repair Grant	10,529
Capital Projects Grant	7,910
Health Grant	1,250
State Highway Grant	854
Total	<u><u>\$1,345,239</u></u>

**Note 8 - Compensated Absences**

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

**Note 9 - Contingencies**

**A. Litigation**

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

**B. Grants**

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2004.

**City of Girard, Ohio**  
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For The Year Ended December 31, 2004

**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2004, was as follows:

<b>Governmental Activities</b>	Balance 12/31/2003	Additions	Deductions	Balance 12/31/2004
<b>Capital Assets not being Depreciated:</b>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<b>Capital Assets being Depreciated:</b>				
Buildings	9,068,756	0	0	9,068,756
Building Improvements	95,183	51,000	0	146,183
Furniture and Equipment	1,508,920	80,225	0	1,589,145
Vehicles	1,144,621	0	0	1,144,621
Infrastructure:				
Streets	52,468,416	87,037	0	52,555,453
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
Total Capital Assets being Depreciated	79,218,296	218,262	0	79,436,558
Less Accumulated Depreciation:				
Buildings	(1,421,662)	(115,257)	0	(1,536,919)
Building Improvements	(42,498)	(4,326)	0	(46,824)
Furniture and Equipment	(790,514)	(154,648)	0	(945,162)
Vehicles	(944,402)	(67,510)	0	(1,011,912)
Infrastructure:				
Streets	(27,283,576)	(1,049,368)	0	(28,332,944)
Sidewalks	(6,704,755)	(257,875)	0	(6,962,630)
Curbs	(1,060,093)	(40,773)	0	(1,100,866)
Total Accumulated Depreciation	(38,247,500)	(1,689,757) *	0	(39,937,257)
Total Capital Assets being Depreciated, Net	40,970,796	(1,471,495)	0	39,499,301
Governmental Activities Capital Assets, Net	\$42,044,436	(\$1,471,495)	\$0	\$40,572,941
<b>Business Type Activities:</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$4,187,169	\$0	\$0	\$4,187,169
<b>Capital Assets being Depreciated:</b>				
Buildings	7,028,774	0	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	193,112	0	0	193,112
Vehicles	327,017	27,287	0	354,304
Infrastructure	929,653	0	0	929,653
Total Capital Assets being Depreciated	12,018,556	27,287	0	12,045,843
Less Accumulated Depreciation:				
Buildings	(1,515,421)	(63,898)	0	(1,579,319)
Building Improvements	(1,744,639)	(78,858)	0	(1,823,497)
Furniture and Equipment	(88,856)	(15,750)	0	(104,606)
Vehicles	(185,714)	(28,128)	0	(213,842)
Infrastructure	(483,420)	(18,594)	0	(502,014)
Total Accumulated Depreciation	(4,018,050)	(205,228)	0	(4,223,278)
Total Capital Assets being Depreciated, Net	8,000,506	(177,941)	0	7,822,565
Business Type Activities Capital Assets, Net	\$12,187,675	(\$177,941)	\$0	\$12,009,734

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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

General Government	\$172,597
Security of Persons and Property	75,239
Public Health Services	3,316
Transportation	1,075,529
Community Development	315,567
Basic Utility Services	37,733
Leisure Time Activities	9,776
<b>Total Depreciation Expense</b>	<b>\$1,689,757</b>

**Note 11 - Interfund Transfers**

**A. Interfund Transfers**

Interfund transfers for the year ended December 31, 2004, consisted of a transfer of \$81,500 from the capital improvement capital projects fund to the general fund to move unused income tax monies.

**B. Interfund Balances**

Interfund Receivable	Interfund Payable		
	General Fund	Recreation	Totals
Street Construction, Maintenance and Repair	\$149,192	\$12,346	\$161,538
Other Governmental Funds:			
Garbage	185,468	0	185,468
Health	89,715	0	89,715
Indigent Drivers	55,168	0	55,168
Cemetery	12,346	0	12,346
Municipal Probation	89,954	0	89,954
Capital Projects	320,426	0	320,426
Federal Assistance Grant	185,274	0	185,274
Municipal Court Computer	78,844	0	78,844
Total Other Governmental Funds	1,017,195	0	1,017,195
Totals	\$1,166,387	\$12,346	\$1,178,733

The general fund and the recreation special revenue fund had deficit fund balances of \$1,166,387 and \$12,346, respectively, as December 31, 2004. These deficits are caused by expenditures exceeding revenues and by the recognition of expenditures on the modified accrual basis of accounting. The following special revenue funds advanced money to the general fund to cover the negative cash: street construction, maintenance and repair, garbage, health, indigent drivers, cemetery and municipal probation. The following capital projects funds advanced money to the general fund to cover the negative cash: capital projects, federal assistance grant and the municipal court computer. The street construction, maintenance and repair special revenue fund advanced money to the recreation fund to cover the negative cash.

**City of Girard, Ohio**  
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For The Year Ended December 31, 2004

**Note 12 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Business-Type Activities:</b>			
<i>Ohio Water Development Authority Loans</i>			
OWDA Water and Sewer Loan	5.65%	\$687,526	2017
Water Distribution	6.36%	441,086	2017
Lakes Project	6.87%	2,513,646	2015
Liberty Water	6.36%	47,158	2017
Sewer Plant	8.48%	4,267,088	2007
<b>Governmental Activities:</b>			
<i>Loans Payable</i>			
Justice Center	5.41%	4,000,000	2019
Street Widening	5.75%	2,500,000	2020
Ohio Edison	0.00%	1,500,780	2007
Capital Improvement Loan	5.34%	65,000	2004
Ohio Public Works Commission Loan	0.00%	18,571	2019
Police and Fire Pension	4.25%	377,328	2035

A schedule of changes in bonds and other long-term obligations of the City during 2004 follows:

	Amount			Amount	
	Outstanding 12/31/2003	Additions	Deletions	Outstanding 12/31/2004	Amounts Due In One Year
<b>Business-Type Activities:</b>					
<i>Ohio Water Development Authority Loans</i>					
2002 OWDA Water and Sewer Loan	\$641,657	\$0	(\$32,779)	\$608,878	\$34,658
1998 Water Distribution	355,077	0	(16,474)	338,603	17,522
1996 Lakes Project	1,878,566	0	(105,820)	1,772,746	113,090
1997 Liberty Water	37,585	0	(1,842)	35,743	1,959
1988 Sewer Plant	1,475,496	0	(325,129)	1,150,367	352,700
<i>Total Ohio Water Development</i>	4,388,381	0	(482,044)	3,906,337	519,929
Compensated Absences	179,787	16,156	(23,808)	172,135	39,022
Capital Leases	37,162	0	(37,162)	0	0
<i>Total Business-Type Activities Obligations</i>	\$4,605,330	\$16,156	(\$543,014)	\$4,078,472	\$558,951

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2004

	Amount Outstanding 12/31/2003	Additions	Deletions	Amount Outstanding 12/31/2004	Amounts Due In One Year
<b>Governmental Activities Obligations:</b>					
<i>Loans Payable</i>					
Justice Center	\$3,572,100	\$0	(\$155,125)	\$3,416,975	\$162,623
Street Widening	2,148,845	0	(85,489)	2,063,356	89,621
Ohio Edison	435,000	0	(153,336)	281,664	153,336
Capital Improvement Loan	9,286	0	(9,286)	0	0
<i>Total Loans Payable</i>	6,165,231	0	(403,236)	5,761,995	405,580
Ohio Public Works Commission Loan	133,220	0	(8,595)	124,625	8,595
Capital Leases	37,251	0	(37,251)	0	0
Compensated Absences	850,562	113,874	(66,072)	898,364	36,548
Police and Fire Pension	296,424	0	(4,623)	291,801	4,822
<i>Total Governmental Activities Obligations</i>	<u>\$7,482,688</u>	<u>\$113,874</u>	<u>(\$519,777)</u>	<u>\$7,076,785</u>	<u>\$455,545</u>

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

The City's overall legal debt margin was \$23,428,045 at December 31, 2004. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2004, are as follows:

Governmental Activities:

	Long-Term Loans		Police and Fire Pension		OPWC Loan	Totals
	Principal	Interest	Principal	Interest	Principal	
2005	\$405,580	\$255,445	\$4,822	\$12,351	\$8,595	\$686,793
2006	392,766	243,251	5,029	12,144	8,595	661,785
2007	277,220	230,469	5,243	11,930	8,595	533,457
2008	290,620	217,069	5,467	11,706	8,595	533,457
2009	304,669	203,020	5,701	11,472	8,595	533,457
2010-2014	1,759,021	779,484	32,440	53,425	42,975	2,667,345
2015-2019	2,178,656	311,201	40,245	45,620	38,675	2,614,397
2020-2024	153,463	3,962	49,563	36,302	0	243,290
2025-2029	0	0	59,551	26,314	0	85,865
2030-2034	0	0	68,902	16,963	0	85,865
2035	0	0	14,838	2,335	0	17,173
<b>Total</b>	<u>\$5,761,995</u>	<u>\$2,243,901</u>	<u>\$291,801</u>	<u>\$240,562</u>	<u>\$124,625</u>	<u>\$8,662,884</u>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
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Business-Type Activities:

	OWDA Loans	
	Principal	Interest
2005	\$519,929	\$277,065
2006	560,831	236,162
2007	605,003	191,995
2008	202,438	144,305
2009	215,760	130,983
2010-2014	1,311,567	422,148
2015-2017	490,809	43,269
Total	\$3,906,337	\$1,445,927

**Note 13 - Risk Management**

***A. Property and Liability***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2004, the City contracted with Love Insurance, Incorporated for various types of insurance as follows:

Type	Coverage
Commercial Liability	\$1,000,000/\$3,000,000
Public Officials	1,000,000/3,000,000
Law Enforcement	1,000,000/3,000,000
Automobile	1,000,000
Automobile Physical Damage	646,584
Real and Personal Property	21,688,724
Inland Marine	980,181
Business Electronic Equipment	131,369
Commercial Crime	10,000
Bonds - Employees and Officials	10,000

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

***B. Employee Insurance Benefits***

The City has elected to provide vision, dental prescription drug, and hospital/medical benefits to its employees through a self insured program. The maintenance of these benefits are accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$45,000 per individual and \$1,000,000 for the City as a whole. Incurred but not reported claims of \$6,713 have been accrued as a liability based on a review of January, 2005 billings provided by the City Auditor's Office.

**City of Girard, Ohio**  
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The claims liability of \$6,713 reported in the internal service fund at December 31, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 "Risk Financing Omnibus," which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the funds' claims liability amounts for 2003 and 2004 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$20,310	\$830,467	\$822,798	\$27,979
2004	27,979	893,687	914,953	6,713

**C. Workers' Compensation**

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

**Note 14 - Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
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The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$207,358, \$199,056 and \$193,258 respectively; 96.52 percent has been contributed for 2004 and 100 percent for 2003 and 2002. There were no contributions to the member-directed plan for 2004.

***B. Ohio Police and Fire Pension Fund***

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$98,780 and \$123,796 for the year ended December 31, 2004, \$112,873 and \$148,360 for the year ended December 31, 2003 and \$109,586 and \$144,038 for the year ended December 31, 2002. The full amount had been contributed for 2003 and 2002. 95.24 percent for police and 94.02 percent for firefighters has been contributed for 2004.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2004, the unfunded liability of the City was \$291,801 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

**Note 15 - Postemployment Benefits**

***A. Ohio Public Employees Retirement System***

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$86,852. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004 the OPERS Retirement Bond adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

***B. Police and Firemen's Disability and Pension Fund***

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. 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. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2004 that were used to fund postemployment benefits were \$65,153 for police and \$59,041 for firefighters. The OP&F's total health care expense for the year ended December 31, 2003, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2003, was 13,662 for police and 10,474 for firefighters.

**Note 16 - Jointly Governed Organizations**

***A. Eastgate Development and Transportation Agency***

The Eastgate Development and Transportation Agency (EDATA) is committed to foster cooperative regional efforts in the planning, programming, and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2004*

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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 2004, the City contributed \$3,894 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 2004, the City contributed \$2,336 to the Emergency Management Agency.

**Note 17 – Capital Leases**

***A. Governmental Activities***

In prior years, the City has entered into a lease for a pumper truck. The City's lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The vehicle has been capitalized in the amount of \$176,920, the present value of the minimum lease payments at the inception of the lease. The vehicle has been fully depreciated leaving it with a zero book value. In 2004 the City had made the final lease payment of \$39,333 which is made up of \$37,251 principal and \$2,082 in interest. Capital lease payments have been reclassified and reflected as debt service in the fund financial statements for the capital projects fund. These expenditures are reflected as program expenditures on a budgetary basis.

***B. Business-Type Activities***

In prior years, the City has entered into a lease for an automated water meter. The City's lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the proprietary and the government-wide statements. The equipment has been capitalized in the amount of \$167,079, the present value of the minimum lease payments at the inception of the lease. The book value as of December 31, 2004 was \$83,539. In 2004 the City had made the final lease payment of \$38,712 which is made up of \$37,162 principal and \$1,550 in interest

**Note 18 – Subsequent Event**

The State of Ohio has filed a lawsuit against the City of Girard for failure to submit timelines for either the repair or replacement of the dam. The undersized spillway will not pass the expected inflow during a maximum flood. The suit orders the City to immediately remedy the dam safety violations, make all of the gates on the Upper Girard Lake Dam operational and maintain the water level of the Upper Girard Lake Dam at least 10 feet below normal pool. The City estimates that the replacement of the dam will cost the City between \$10 and \$12 million and \$3 million to repair the dam.

CITY OF GIRARD  
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/ <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant Formula Allocation Program	A-F-02-127-1 A-F-03-127-1	14.228	43,368 57,948
Community Distress Program	A-X-01-127-1		6,745
Sub-Total Community Development Block Grant			108,061
HOME Investment Partnership Program	A-C-03-127-1 A-C-03-127-2	14.239	74,588 88,213
Sub-Total Home Investment Partnership Program			162,801
Total U.S. Department of Housing and Urban Development			<b>270,862</b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Major Disaster Designation Public Assistance Grant Program	FEMA-1484-DR-155-30198	97.036	319,319
Total U.S. Federal Emergency Management Agency			<b>319,319</b>
<b><u>U.S. DEPARTMENT OF OF HEALTH AND HUMAN SERVICES</u></b>			
<i>Passed Through Ohio Department of Aging:</i>			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Citizens	N/A	93.044	9,683
Total U.S. Department of Health and Human Services			<b>9,683</b>
<b>Total</b>			<b>\$599,864</b>

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

**CITY OF GIRARD  
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**NOTE 1- SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**NOTE 3 - MATCHING REQUIREMENTS**

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

**NOTE 4 – PASS-THROUGH ENTITY NUMBERS**

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



**Auditor of State  
Betty Montgomery**

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

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

To the Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 15, 2006, wherein we noted conditions raising substantial doubt about the City's ability to continue as a going concern. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the City's management dated February 15, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the City's management dated February 15, 2006, we reported other matters related to noncompliance we deemed immaterial.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 15, 2006



## **Auditor of State Betty Montgomery**

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

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

To the Mayor and City Council:

#### **Compliance**

We have audited the compliance of the City of Girard, Trumbull County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying Schedule of Findings identifies the City's major federal programs. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. In a separate letter to the City's management dated February 15, 2006, we reported another matter related to federal noncompliance not requiring inclusion in this report.

#### **Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material affect 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 15, 2006

**CITY OF GIRARD  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 14.239--Home Improvement Partnerships Program (HOME) CFDA # 14.228--Community Housing Improvement Program (CDBG)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: > all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**CITY OF GIRARD  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2004  
(Continued)**

**MATERIAL CITATIONS**

<b>Finding Number</b>	2004-001
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**Ohio Revised Code Section 118.06(A)** states, in part, that within one hundred twenty days after the first meeting of the financial planning and supervision commission, the mayor of the municipal corporation shall submit the commission a detailed financial plan, as approved or amended and approved by ordinance or resolution of the legislative authority, containing the following:

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

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

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

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

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

The existing plan was submitted to the Financial and Supervision Commission on February 25, 2002. The plan may be obtained by contacting the City of Girard. The City has not followed through on numerous actions detailed in this plan.

**CITY OF GIRARD  
TRUMBULL COUNTY  
SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2004  
(Continued)**

<b>Finding Number</b>	2004-001 Continued
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Some of the failures are listed below:

- Additional revenue from County for sewage treatment usage - \$50,000 annually.
- Attempt to collect delinquent water and sewer billings by garnishing property tax with the County - \$165,000.
- Revenue from Lakes – wetland activity and development - \$1,000,000.
- Reduce police and fire overtime - \$58,000.
- EPA staffing reduced from \$138,000 to \$52,500.
- Sell four police vehicles - \$25,000.
- Sell properties:
  - 1) 130 N. State Street - \$85,000
  - 2) Justice Center parking lot - \$40,000

The City also has not updated the plan annually as requested by the Financial and Supervision Commission nor prepared or submitted a five year financial forecast as requested by the Financial and Supervision Commission.

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

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

<b>Finding Number</b>	2004-002
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**Ohio Revised Code Section 5705.10** states, in part, that money paid into any fund shall be used only for the purpose for which the fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

On December 31, 2004 the following funds had negative cash fund balances:

General Fund	(\$1,153,663)
Agency Reimbursement Fund	(\$ 42,457)
Capital Improvement Reimbursement Fund	(\$ 460,596)
Recreation Fund	(\$ 12,346)
Swimming Pool Fund	(\$ 1,302)

Of the five funds listed above only the Recreation and Swimming Pool Funds did not have a deficit fund balance at the time the City was placed in Fiscal Emergency or December 31, 2002. This deficit fund balance represents a new fund balance deficit as of December 31, 2004.

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

**CITY OF GIRARD**  
**TRUMBULL COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2004**  
**(Continued)**

<b>Finding Number</b>	2004-003
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**Ohio Revised Code Section 5705.41(D)** states, in part, that no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

1. Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than (\$3,000) (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise valid

2. Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate: The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specific fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding at a particular time for any line item appropriation.

The City did not always certify funds at the time of commitment. We noted 30% of the expenditures tested were not properly certified. Incurring obligations prior to the fiscal officer's certification could result in the City spending in excess of their appropriations.

**CITY OF GIRARD  
TRUMBULL COUNTY  
SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2004  
(Continued)**

<b>Finding Number</b>	2004-003 Continued
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Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the City's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to the obligation by the City. When prior certification is not possible, "then and now" certification should be used.

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**CITY OF GIRARD  
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2004**

<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> ; <b><i>Explain:</i></b>
2003-001	ORC 118.06 (A), 118.27 (A) – Failure to have a Detailed Financial Plan to get out of Fiscal Emergency or an updated Five Year Financial Forecast.	No	The finding was reissued as 2004-001.
2003-002	ORC 5705.10 – Negative Fund Balances.	No	This finding was reissued as 2004-002.
2003-003	ORC 5705.41 (D) - Proper Certification.	No	This finding was reissued as finding number 2004-003.
2003-004	Material Weakness – The City’s service organization utilized for the billing of ambulance billing failed to have a SAS -70 report. In addition the City had no controls to reduce the risk of misstatement in regards to the billing and collecting fees for the use of the City’s ambulance service.	No	Finding No Longer Valid. City contracts with outside source for ambulance services.
2003-005	The City failed to expend Home Improvement Partnership Program and Community Development Block Grant funds within 15 days of receipt.  The Office of Housing and Community Partnerships (OHCP) Financial Management Rules and Regulations Handbook Section (A)(3)(f) requires grantees to develop a cash management system to ensure that disbursements of requested funds are made within 15 days.	No	This finding was reissued in the management letter.



**Auditor of State  
Betty Montgomery**

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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  
APRIL 17, 2006**