



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

February 21, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**CITY OF GIRARD
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds.....	18
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, 2005	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual:	
General Fund.....	20
Community Housing Improvement Program and Services Fund	21
Fire Levy Fund.....	22
Statement of Fund Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Assets – Fiduciary Funds.....	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	27
Notes to the Basic Financial Statements	29
Schedule of Federal Awards Expenditures.....	53
Notes to the Schedule of Federal Awards Expenditures	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
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	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings	62

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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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Community Housing Improvement Program and Services, and Fire Levy 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 November 30, 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.

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

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

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



Betty Montgomery
Auditor of State

November 30, 2006

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The discussion and analysis of the City of Girard's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2005. 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 2005 are as follows:

- In total net assets decreased by \$117,462. Net assets of governmental activities increased \$10,421, which represents a .03 percent increase from 2004. Net assets of business-type activities decreased \$127,883 which represents a 1.3 percent decrease from 2004.
- All revenues totaled \$13,544,454. General revenues accounted for \$6,032,540 or 44.5 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$7,511,914 or 55.5 percent of all revenues.
- Total assets of governmental activities decreased by \$336,041, or .77 percent from 2004. Capital assets decreased by \$1,566,144 and net assets of business-type activities decreased by \$127,883.
- The City had \$9,152,238 in expenses related to governmental activities; only \$3,130,119 of these expenses was offset by program specific charges for services and grants and contributions. Governmental activities general revenues equaled \$6,032,540 in 2005, of which \$1,028,452 were property tax monies, \$3,706,911 were income tax monies and the remaining \$1,297,177 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
For the Year Ended December 31, 2005
Unaudited

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 2005?" 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 community housing improvement program and services and fire levy special revenue funds.

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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.

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 2005 as they compare to 2004.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$4,133,499	\$2,903,396	\$1,675,903	\$2,188,408	\$5,809,402	\$5,091,804
Capital Assets, Net	39,006,797	40,572,941	11,806,827	12,009,734	50,813,624	52,582,675
Total Assets	\$43,140,296	\$43,476,337	\$13,482,730	\$14,198,142	\$56,623,026	\$57,674,479

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Liabilities						
Current Liabilities	\$1,763,214	\$1,303,848	\$344,259	\$390,139	\$2,107,473	\$1,693,987
Long-term Liabilities						
Due within one Year	325,032	455,545	592,854	558,951	917,886	1,014,496
Due in More than one Year	5,945,925	6,621,240	2,943,969	3,519,521	8,889,894	10,140,761
<i>Total Liabilities</i>	<u>8,034,171</u>	<u>8,380,633</u>	<u>3,881,082</u>	<u>4,468,611</u>	<u>11,915,253</u>	<u>12,849,244</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	33,662,680	34,686,321	8,420,419	8,103,397	42,083,099	42,789,718
Restricted for:						
Capital Projects	278,392	599,111	0	0	278,392	599,111
Debt Service	219,777	109,645	0	0	219,777	109,645
State Highway	379,874	119,000	0	0	379,874	119,000
Street Permissive	44,610	73,683	0	0	44,610	73,683
Garbage	250,698	216,691	0	0	250,698	216,691
Other Purposes	724,205	976,135	0	0	724,205	976,135
Unrestricted (Deficit)	<u>(454,111)</u>	<u>(1,684,882)</u>	<u>1,181,229</u>	<u>1,626,134</u>	<u>727,118</u>	<u>(58,748)</u>
<i>Total Net Assets</i>	<u>\$35,106,125</u>	<u>\$35,095,704</u>	<u>\$9,601,648</u>	<u>\$9,729,531</u>	<u>\$44,707,773</u>	<u>\$44,825,235</u>

The total net assets of the City, including both governmental and business-type activities, are \$44,707,773, which was a decrease of \$117,462 from last year. Approximately 94 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. Long-term liabilities for the City was reduced by \$1,347,477 during 2005. In the business-type activities, user fees are the primary revenue source for the repayment of debt.

The increase in net assets was a result of many factors, including increases in cash equivalents, income taxes receivable, accounts receivable, and intergovernmental receivable. The deficit governmental activities unrestricted net assets was reduced \$1,230,771. This was the result of several factors including but not limited to:

- The City reducing general fund expenditures by utilizing the new fire levy for fire department expenditures.
- The City realizing an increase of income tax collections by utilizing the Regional Income Tax Authority.
- The City being able to move interest and gas royalties from restricted net assets to unrestricted net assets.
- Finally, the City recorded \$102,000 in timber sales.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 shows the changes in net assets for 2005.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Program Revenues						
Charges for Services and Sales	\$1,959,916	\$1,467,221	\$3,848,982	\$4,702,926	\$5,808,898	\$6,170,147
Operating Grants and Contributions	1,140,049	1,768,088	0	0	1,140,049	1,768,088
Capital Grants and Contributions	30,154	495,286	532,813	454,483	562,967	949,769
<i>Total Program Revenues</i>	<u>3,130,119</u>	<u>3,730,595</u>	<u>4,381,795</u>	<u>5,157,409</u>	<u>7,511,914</u>	<u>8,888,004</u>
General Revenues						
Property Taxes	1,028,452	648,539	0	0	1,028,452	648,539
Municipal Income Tax	3,706,911	3,515,917	0	0	3,706,911	3,515,917
Grants and Entitlements	504,815	388,146	0	0	504,815	388,146
Capital Contributions	176,666	0	0	0	176,666	0
Interest	194,875	18,263	0	0	194,875	18,263
Miscellaneous	420,821	41,157	0	0	420,821	41,157
<i>Total General Revenues</i>	<u>6,032,540</u>	<u>4,612,022</u>	<u>0</u>	<u>0</u>	<u>6,032,540</u>	<u>4,612,022</u>
<i>Total Revenues</i>	<u>9,162,659</u>	<u>8,342,617</u>	<u>4,381,795</u>	<u>5,157,409</u>	<u>13,544,454</u>	<u>13,500,026</u>
Program Expenses						
General Government	2,563,581	2,490,609	0	0	2,563,581	2,490,609
Security of Persons and Property	2,841,873	3,007,255	0	0	2,841,873	3,007,255
Public Health Services	259,667	291,294	0	0	259,667	291,294
Transportation	1,824,400	1,684,452	0	0	1,824,400	1,684,452
Community Development	921,338	812,654	0	0	921,338	812,654
Basic Utility Services	437,035	588,901	0	0	437,035	588,901
Leisure Time Activities	36,566	79,144	0	0	36,566	79,144
Interest and Fiscal Charges	267,778	238,801	0	0	267,778	238,801
Water	0	0	2,731,654	2,334,479	2,731,654	2,334,479
Sewer	0	0	1,778,024	1,925,399	1,778,024	1,925,399
<i>Total Program Expenses</i>	<u>9,152,238</u>	<u>9,193,110</u>	<u>4,509,678</u>	<u>4,259,878</u>	<u>13,661,916</u>	<u>13,452,988</u>
<i>Change in Net Assets</i>	10,421	(850,493)	(127,883)	897,531	(117,462)	47,038
Net Assets Beginning 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>
Net Assets End of the Year	<u>\$35,106,125</u>	<u>\$35,095,704</u>	<u>\$9,601,648</u>	<u>\$9,729,531</u>	<u>\$44,707,773</u>	<u>\$44,825,235</u>

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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 \$3,706,911 in revenue for 2005, accounting for approximately 40.5 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: 84.60 percent went to the general fund, 1.50 percent went into the recreation fund and 13.90 percent went into the general obligation bond retirement fund. Unrestricted State shared revenues and local government funds for 2005 amounted to \$504,815 and represented approximately 5.51 percent of governmental activities revenue.

Charges for services increased \$492,695 in the governmental activities due to the City implementing the rental inspection program. This program requires rental inspections and annual permits for all rental property in the City.

The decrease in operating grants and contributions of \$628,039 was due to the City receiving less grant monies through the Community Development Block Grant and Community Housing Program Grant.

Property taxes increased due to the City collecting on the 3 mill fire levy passed in November 2004. This levy will generate approximately \$388,000 for five years.

Actual income tax collections for 2005 were 5.4 percent higher than 2004. This increase is a direct result of the City utilizing the Regional Income Tax Authority (RITA) for income tax collections.

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

Over 31.0 percent of governmental activities expenses are allocated to the police and fire departments. The police department employs fifteen officers and three full-time dispatchers. The fire department employs thirteen full-time positions. The City of Girard passed a property tax levy to help support its fire department, this allowed for moving certain expenses from the general fund.

As previously stated, the Girard Municipal Court is accounted for within the City of Girard's books. Approximately 7 percent of the governmental activities expenses can be attributed to the operation of the court. It should also be pointed out that the Girard Municipal Court was self-sustaining financially until 2005, when the City of Girard was obligated to subsidize the court by approximately \$250,000.

The City's transportation department accounted for 19.9 percent of the expenses in the governmental activities due to \$1,068,005 in depreciation.

Business – Type Activities

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated revenues of \$2,582,777 from water and \$1,799,018 from the sewer plant facility. Water expenses for 2005 amounted to \$2,731,654 and \$1,778,024 for the Sewer plant. For 2005, 6,900 water customers and 4,800 sewer customers were serviced. Approximately 45,000,000 gallons are billed and processed on a monthly basis.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The City's Funds

Information about the City's governmental funds begins on page 16. The funds are accounted for using the modified accrual method of accounting. The general fund concluded the fiscal year with a deficit fund balance of \$547,105. The City passed a 3 mill fire levy on the November 2004 ballot that will generate approximately \$388,000 annually for the next five years. The City remains in fiscal emergency status, but has made tremendous strides in reducing its negative fund balances. A recovery plan to move the City from fiscal emergency is currently being updated.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$3,848,982 and total operating expenses of \$4,246,264. 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 2005, final estimated revenues for the general fund were \$5,237,189, and actual revenues received were \$5,060,774 or \$176,415 less than final estimated revenues. City Council's final appropriations were \$4,553,021, which were \$213,380 greater than actual expenditures.

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 2005, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed. The original budgeted appropriations amount was limited to the original estimated resources amount.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation, were \$39,006,797, which was a \$1,566,144 decrease from the prior year. The main reason for this decrease was an additional year of accumulated depreciation being taken.

Total capital assets for the business type activities, net of accumulated depreciation, were \$11,806,827 or a decrease from the prior year of \$202,907. 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 2005. See Note 10 for additional information on capital assets.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	7,541,852	7,631,196	7,023,202	7,165,958	14,565,054	14,797,154
Furniture and Equipment	565,005	643,983	72,995	88,506	638,000	732,489
Vehicles	84,644	132,709	114,415	140,462	199,059	273,171
Infrastructure						
Streets	23,171,400	24,222,509	0	0	23,171,400	24,222,509
Sidewalks	5,673,255	5,931,130	0	0	5,673,255	5,931,130
Curbs	897,001	937,774	0	0	897,001	937,774
Water and Sewer Lines	0	0	409,046	427,639	409,046	427,639
Total Capital Assets	\$39,006,797	\$40,572,941	\$11,806,827	\$12,009,734	\$50,813,624	\$52,582,675

Long-term Obligations

The City had \$9,807,780 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	
	2005	2004	2005	2004	2005	2004
Loans Payable	\$5,228,087	\$5,761,995	\$0	\$0	\$5,228,087	\$5,761,995
OPWC Loans	116,030	124,625	0	0	116,030	124,625
OWDA Loans	0	0	3,386,408	3,906,337	3,386,408	3,906,337
Police and Fire Pension	286,979	291,801	0	0	286,979	291,801
Compensated Absences	639,861	898,364	150,415	172,135	790,276	1,070,499
Total	\$6,270,957	\$7,076,785	\$3,536,823	\$4,078,472	\$9,807,780	\$11,155,257

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.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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.

The decrease in compensated absences was the result of a lower balance of sick and vacation time earned by the City's full-time employees.

The City of Girard's overall legal debt margin was \$22,446,416 on December 31, 2005. 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 2005, \$1,606,000 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, 2005*

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$769,387	\$1,227,432	\$1,996,819
Accrued Interest Receivable	877	0	877
Accounts Receivable	122,859	445,642	568,501
Internal Balances	12,579	(12,579)	0
Intergovernmental Receivable	1,102,853	0	1,102,853
Property Taxes Receivable	1,166,039	0	1,166,039
Income Taxes Receivable	903,863	0	903,863
Special Assessments Receivable	13,075	0	13,075
Prepaid Items	41,967	15,408	57,375
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	37,933,157	7,619,658	45,552,815
<i>Total Assets</i>	<u>43,140,296</u>	<u>13,482,730</u>	<u>56,623,026</u>
Liabilities			
Accounts Payable	15,014	13,711	28,725
Accrued Wages	122,652	33,770	156,422
Intergovernmental Payable	446,583	138,350	584,933
Matured Compensated Absences Payable	76,865	40,059	116,924
Accrued Interest Payable	1,016	118,369	119,385
Claims Payable	62,745	0	62,745
Deferred Revenue	1,038,339	0	1,038,339
Long-Term Liabilities:			
Due Within One Year	325,032	592,854	917,886
Due In More Than One Year	5,945,925	2,943,969	8,889,894
<i>Total Liabilities</i>	<u>8,034,171</u>	<u>3,881,082</u>	<u>11,915,253</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	33,662,680	8,420,419	42,083,099
Restricted for:			
Capital Projects	278,392	0	278,392
Debt Service	219,777	0	219,777
State Highway	379,874	0	379,874
Street Permissive	44,610	0	44,610
Garbage Collection	250,698	0	250,698
Other Purposes	724,205	0	724,205
Unrestricted (Deficit)	(454,111)	1,181,229	727,118
<i>Total Net Assets</i>	<u>\$35,106,125</u>	<u>\$9,601,648</u>	<u>\$44,707,773</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2005

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,563,581	\$951,005	\$82,481	\$0
Security of Persons and Property	2,841,873	620,884	0	0
Public Health Services	259,667	197,622	20,064	0
Transportation	1,824,400	0	463,569	0
Community Development	921,338	178,227	572,418	0
Basic Utility Services	437,035	0	0	30,154
Leisure Time Activities	36,566	12,178	1,517	0
Interest and Fiscal Charges	267,778	0	0	0
<i>Total Governmental Activities</i>	<u>9,152,238</u>	<u>1,959,916</u>	<u>1,140,049</u>	<u>30,154</u>
Business-Type Activities:				
Water	2,731,654	2,049,964	0	532,813
Sewer	1,778,024	1,799,018	0	0
<i>Total Business-Type Activities</i>	<u>4,509,678</u>	<u>3,848,982</u>	<u>0</u>	<u>532,813</u>
<i>Total</i>	<u>\$13,661,916</u>	<u>\$5,808,898</u>	<u>\$1,140,049</u>	<u>\$562,967</u>

General Revenues

Property Taxes Levied for:

General Purposes

Garbage

Fire

Police

Cemetery

Income Taxes Levied for:

General Purposes

Debt Service

Special Revenue

Grants and Entitlements not Restricted to Specific Programs

Interest

Capital Contributions

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
(\$1,530,095)	\$0	(\$1,530,095)
(2,220,989)	0	(2,220,989)
(41,981)	0	(41,981)
(1,360,831)	0	(1,360,831)
(170,693)	0	(170,693)
(406,881)	0	(406,881)
(22,871)	0	(22,871)
(267,778)	0	(267,778)
<u>(6,022,119)</u>	<u>0</u>	<u>(6,022,119)</u>
0	(148,877)	(148,877)
0	20,994	20,994
<u>0</u>	<u>(127,883)</u>	<u>(127,883)</u>
<u>(6,022,119)</u>	<u>(127,883)</u>	<u>(6,150,002)</u>
259,569	0	259,569
292,895	0	292,895
418,624	0	418,624
34,418	0	34,418
22,946	0	22,946
3,152,884	0	3,152,884
502,026	0	502,026
52,001	0	52,001
504,815	0	504,815
194,875	0	194,875
176,666	0	176,666
420,821	0	420,821
<u>6,032,540</u>	<u>0</u>	<u>6,032,540</u>
10,421	(127,883)	(117,462)
<u>35,095,704</u>	<u>9,729,531</u>	<u>44,825,235</u>
<u>\$35,106,125</u>	<u>\$9,601,648</u>	<u>\$44,707,773</u>

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2005

	General	Community Housing Improvement Program and Services	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$0	\$1,275	\$0	\$768,112	\$769,387
Receivables:					
Property Taxes	325,531	0	393,270	447,238	1,166,039
Income Taxes	760,872	0	0	142,991	903,863
Accounts	49,004	0	0	73,855	122,859
Intergovernmental	206,542	541,000	21,527	333,784	1,102,853
Special Assessments	0	0	0	13,075	13,075
Accrued Interest	877	0	0	0	877
Interfund Receivable	0	0	0	442,515	442,515
Prepaid Items	38,117	0	0	3,850	41,967
Total Assets	\$1,380,943	\$542,275	\$414,797	\$2,225,420	\$4,563,435
Liabilities					
Accounts Payable	\$4,712	\$0	\$0	\$10,302	\$15,014
Accrued Wages	107,896	0	0	14,756	122,652
Intergovernmental Payable	260,069	0	0	186,514	446,583
Interfund Payable	442,251	0	0	264	442,515
Deferred Revenue	1,036,255	541,000	414,797	839,318	2,831,370
Matured Compensated Absences Payable	76,865	0	0	0	76,865
Total Liabilities	1,928,048	541,000	414,797	1,051,154	3,934,999
Fund Balances					
Reserved for Encumbrances	0	0	0	92	92
Unreserved, Undesignated, Reported in:					
General Fund (Deficit)	(547,105)	0	0	0	(547,105)
Special Revenue Funds	0	1,275	0	773,132	774,407
Debt Service Funds	0	0	0	122,650	122,650
Capital Projects Funds	0	0	0	278,392	278,392
Total Fund Balances (Deficit)	(547,105)	1,275	0	1,174,266	628,436
Total Liabilities and Fund Balances	\$1,380,943	\$542,275	\$414,797	\$2,225,420	\$4,563,435

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, 2005*

Total Governmental Fund Balances	\$628,436
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	39,006,797
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:

Property Taxes	127,700
Income Taxes	655,381
Intergovernmental	996,875
Special Assessments	13,075

Total	1,793,031
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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	(62,745)
Internal Balances	12,579

Total	(50,166)
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,016)
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences	(639,861)
Loans Payable	(5,228,087)
OPWC Loans Payable	(116,030)
Police and Fire Pension Loan	(286,979)

Total	(6,270,957)
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<i>Net Assets of Governmental Activities</i>	\$35,106,125
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See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Community Housing Improvement Program and Services	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Taxes	\$257,301	\$0	\$341,137	\$384,917	\$983,355
Municipal Income Taxes	2,981,995	0	0	521,912	3,503,907
Special Assessments	0	0	0	22,297	22,297
Charges for Services	369,125	0	0	87,289	456,414
Fees, Licenses and Permits	78,652	0	0	464,818	543,470
Fines and Forfeitures	624,386	0	0	335,646	960,032
Intergovernmental	381,198	363,710	45,255	1,070,259	1,860,422
Interest	194,094	0	0	781	194,875
Contributions and Donations	0	0	0	1,649	1,649
Other	325,885	0	0	94,936	420,821
<i>Total Revenues</i>	<u>5,212,636</u>	<u>363,710</u>	<u>386,392</u>	<u>2,984,504</u>	<u>8,947,242</u>
Expenditures					
Current:					
General Government	1,671,457	0	0	395,734	2,067,191
Security of Persons and Property	2,561,598	0	386,392	32,685	2,980,675
Public Health Services	86,053	0	0	184,572	270,625
Transportation	0	0	0	778,251	778,251
Community Development	1,773	374,646	0	231,279	607,698
Basic Utility Services	0	0	0	304,050	304,050
Leisure Time Activities	0	0	0	48,234	48,234
Capital Outlay	0	0	0	475,101	475,101
Debt Service:					
Principal Retirement	0	0	0	370,659	370,659
Interest and Fiscal Charges	0	0	0	267,796	267,796
<i>Total Expenditures</i>	<u>4,320,881</u>	<u>374,646</u>	<u>386,392</u>	<u>3,088,361</u>	<u>8,170,280</u>
<i>Net Change in Fund Balances</i>	891,755	(10,936)	0	(103,857)	776,962
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>(1,438,860)</u>	<u>12,211</u>	<u>0</u>	<u>1,278,123</u>	<u>(148,526)</u>
<i>Fund Balances (Deficit)</i>					
<i>End of Year</i>	<u>(\$547,105)</u>	<u>\$1,275</u>	<u>\$0</u>	<u>\$1,174,266</u>	<u>\$628,436</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, 2005*

Net Change in Fund Balances - Total Governmental Funds \$776,962

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

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

Capital Outlay	49,917
Depreciation	<u>(1,609,535)</u>

Total (1,559,618)

Governmental funds only report the disposal of fixed assets to the extent proceeds are received from the sale. In the statement of activities of activities, a gain or loss is reported for each disposal. (6,526)

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

Property Taxes	45,097
Income Taxes	203,004
Intergovernmental	(217,343)
Special Assessments	<u>7,993</u>

Total 38,751

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.

Principal Retirement	370,659
Forgiven Payment	<u>176,666</u>

Totals 547,325

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 18

Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 258,503

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	(56,032)
Internal Balances	<u>11,038</u>

Total (44,994)

Change in Net Assets of Governmental Activities \$10,421

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, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property and Other Taxes	\$247,894	\$285,709	\$257,301	(\$28,408)
Municipal Income Taxes	2,322,228	3,104,629	2,847,425	(257,204)
Charges for Services	279,269	321,870	369,125	47,255
Fees, Licenses and Permits	149,168	171,923	78,652	(93,271)
Fines and Forfeitures	786,948	906,993	599,309	(307,684)
Intergovernmental	351,107	404,666	388,783	(15,883)
Interest	14,733	16,981	194,294	177,313
Other	21,187	24,418	325,885	301,467
<i>Total Revenues</i>	<u>4,172,534</u>	<u>5,237,189</u>	<u>5,060,774</u>	<u>(176,415)</u>
Expenditures				
Current:				
General Government	2,471,362	1,733,528	1,707,224	26,304
Security of Persons and Property	2,640,810	2,706,961	2,539,327	167,634
Public Health Services	102,780	105,361	90,646	14,715
Transportation	655	671	671	0
Community Development	6,341	6,500	1,773	4,727
<i>Total Expenditures</i>	<u>5,221,948</u>	<u>4,553,021</u>	<u>4,339,641</u>	<u>213,380</u>
<i>Net Change in Fund Balance</i>	(1,049,414)	684,168	721,133	36,965
<i>Fund Deficit Beginning of Year</i>	(1,180,824)	(1,180,824)	(1,180,824)	0
Prior Year Encumbrances Appropriated	<u>14,437</u>	<u>14,437</u>	<u>14,437</u>	<u>0</u>
<i>Fund Deficit End of Year</i>	<u><u>(\$2,215,801)</u></u>	<u><u>(\$482,219)</u></u>	<u><u>(\$445,254)</u></u>	<u><u>\$36,965</u></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
 Community Housing Improvement Program and Services Fund
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$600,000	\$600,000	\$363,710	(\$236,290)
Expenditures				
Current:				
Community Development	<u>600,000</u>	<u>600,000</u>	<u>374,646</u>	<u>225,354</u>
<i>Net Change in Fund Balance</i>	0	0	(10,936)	(10,936)
<i>Fund Balance Beginning of Year</i>	<u>12,211</u>	<u>12,211</u>	<u>12,211</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$12,211</u></u>	<u><u>\$12,211</u></u>	<u><u>\$1,275</u></u>	<u><u>(\$10,936)</u></u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property and Other Taxes	\$388,357	\$388,357	\$341,137	(\$47,220)
Intergovernmental	0	0	45,255	45,255
<i>Total Revenues</i>	388,357	388,357	386,392	(1,965)
Expenditures				
Current:				
Security of Persons and Property	388,357	391,831	386,392	5,439
<i>Net Change in Fund Balance</i>	0	(3,474)	0	3,474
<i>Fund Balance Beginning of Year</i>	0	0	0	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$0</u>	<u>(\$3,474)</u>	<u>\$0</u>	<u>\$3,474</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2005

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$352,129	\$875,303	\$1,227,432	\$0
Accounts Receivable	205,473	240,169	445,642	0
Prepaid Items	5,000	10,408	15,408	0
<i>Total Current Assets</i>	<u>562,602</u>	<u>1,125,880</u>	<u>1,688,482</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	2,153,753	5,465,905	7,619,658	0
<i>Total Noncurrent Assets</i>	<u>3,840,922</u>	<u>7,965,905</u>	<u>11,806,827</u>	<u>0</u>
<i>Total Assets</i>	<u>4,403,524</u>	<u>9,091,785</u>	<u>13,495,309</u>	<u>0</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	1,806	11,905	13,711	0
Accrued Wages	15,582	18,188	33,770	0
Intergovernmental Payable	61,083	77,267	138,350	0
Matured Compensated Absences Payable	0	40,059	40,059	0
Accrued Interest Payable	73,890	44,479	118,369	0
Compensated Absences Payable	11,112	20,909	32,021	0
OWDA Loans Payable	154,149	406,684	560,833	0
Claims Payable	0	0	0	62,745
<i>Total Current Liabilities</i>	<u>317,622</u>	<u>619,491</u>	<u>937,113</u>	<u>62,745</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable (net of current portion)	52,725	65,669	118,394	0
OWDA Loans Payable (net of current portion)	2,057,329	768,246	2,825,575	0
<i>Total Long-Term Liabilities</i>	<u>2,110,054</u>	<u>833,915</u>	<u>2,943,969</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,427,676</u>	<u>1,453,406</u>	<u>3,881,082</u>	<u>62,745</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,629,444	6,790,975	8,420,419	0
Unrestricted (Deficit)	346,404	847,404	1,193,808	(62,745)
<i>Total Net Assets (Deficit)</i>	<u>\$1,975,848</u>	<u>\$7,638,379</u>	<u>9,614,227</u>	<u>(\$62,745)</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:

(12,579)

Net assets of business-type activities

\$9,601,648

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, 2005*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$2,049,964	\$1,760,018	\$3,809,982	\$1,223,046
Rentals	0	39,000	39,000	0
<i>Total Operating Revenues</i>	<u>2,049,964</u>	<u>1,799,018</u>	<u>3,848,982</u>	<u>1,223,046</u>
Operating Expenses				
Personal Services	491,392	798,204	1,289,596	0
Materials and Supplies	800,227	282,838	1,083,065	0
Contractual Services	1,215,714	399,451	1,615,165	125,194
Depreciation	42,878	162,630	205,508	0
Claims	0	0	0	1,153,884
Other	23,792	29,138	52,930	0
<i>Total Operating Expenses</i>	<u>2,574,003</u>	<u>1,672,261</u>	<u>4,246,264</u>	<u>1,279,078</u>
<i>Operating Income (Loss)</i>	(524,039)	126,757	(397,282)	(56,032)
Non-Operating Revenues (Expenses)				
Capital Grants	532,813	0	532,813	0
Interest and Fiscal Charges	(152,502)	(99,874)	(252,376)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>380,311</u>	<u>(99,874)</u>	<u>280,437</u>	<u>0</u>
<i>Change in Net Assets</i>	(143,728)	26,883	(116,845)	(56,032)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>2,119,576</u>	<u>7,611,496</u>		<u>(6,713)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$1,975,848</u>	<u>\$7,638,379</u>		<u>(\$62,745)</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>(11,038)</u>	
Change in net assets of business-type activities			<u>(\$127,883)</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, 2005

	Enterprise			Internal Service
	Water	Sewer	Total	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,053,149	\$1,782,225	\$3,835,374	\$1,223,046
Cash Received from Rentals	0	39,000	39,000	0
Cash Payments to Employees for Services	(601,927)	(734,833)	(1,336,760)	0
Cash Payments for Goods and Services	(2,005,941)	(676,697)	(2,682,638)	(125,194)
Cash Payments for Claims	0	0	0	(1,097,852)
Other Cash Payments	(23,792)	(29,138)	(52,930)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(578,511)</u>	<u>380,557</u>	<u>(197,954)</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Capital Grants	532,813	0	532,813	0
Payments for Capital Acquisitions	0	(2,601)	(2,601)	0
Principal Paid on OWDA Loans	(144,459)	(375,470)	(519,929)	0
Interest Paid on OWDA Loans	(157,341)	(115,471)	(272,812)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>231,013</u>	<u>(493,542)</u>	<u>(262,529)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	(347,498)	(112,985)	(460,483)	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>699,627</u>	<u>988,288</u>	<u>1,687,915</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$352,129</u></u>	<u><u>\$875,303</u></u>	<u><u>\$1,227,432</u></u>	<u><u>\$0</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	<u>(\$524,039)</u>	<u>\$126,757</u>	<u>(\$397,282)</u>	<u>(\$56,032)</u>
Adjustments:				
Depreciation	42,878	162,630	205,508	0
(Increase) Decrease in Assets:				
Accounts Receivable	3,185	21,523	24,708	0
Special Assessments Receivable	0	684	684	0
Prepaid Items	10,000	5,592	15,592	0
Increase (Decrease) in Liabilities:				
Accounts Payable	(96,885)	(16,110)	(112,995)	0
Accrued Wages	265	2,659	2,924	0
Claims Payable	0	0	0	56,032
Matured Compensated Absences Payable	0	40,059	40,059	0
Compensated Absences Payable	(29,421)	7,701	(21,720)	0
Intergovernmental Payable	15,506	29,062	44,568	0
<i>Total Adjustments</i>	<u>(54,472)</u>	<u>253,800</u>	<u>199,328</u>	<u>56,032</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>(\$578,511)</u></u>	<u><u>\$380,557</u></u>	<u><u>(\$197,954)</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2005

	Private Purpose Trust	
	Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,498	\$0
Cash and Cash Equivalents in Segregated Accounts	0	43,997
<i>Total Assets</i>	4,498	\$43,997
Liabilities		
Undistributed Monies	0	\$43,997
Net Assets		
Held in Trust for Endowment	\$4,498	

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, 2005

	Private Purpose Trust
	Memorial
Additions	
Interest	\$17
Deductions	
Contractual Services	159
<i>Change in Net Assets</i>	(142)
<i>Net Assets Beginning of Year</i>	4,640
<i>Net Assets End of Year</i>	\$4,498

See accompanying notes to the basic financial statements

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City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

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 Regional Council of Governments 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, 2005

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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, 2005

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

Community Housing Improvement Program and Services Fund - The Community Housing Improvement Program and Services special revenue fund accounts for grant monies used to repair and improve the quality of housing within the community.

Fire Levy Fund - The fire levy special revenue fund accounts for the property tax revenue collected for firefighting services.

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, 2005

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, 2005

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, 2005, but which were levied to finance year 2006 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 2005, 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 2005 amount to \$194,094, which includes \$194,094 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, 2005, 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, 2005

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 enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	15 - 45 years	15 - 45 years
Furniture and Equipment	3 - 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 2005, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

I. Interfund Balances

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

J. Compensated Absences

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

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 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 \$1,897,556 of restricted net assets, of which \$289,829 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.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services and rentals for water and sewer services and self insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

are 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 on the government-wide financial statements arose from the City 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 by department 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.

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

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 - Changes in Accounting Principle

For 2005, the City has implemented GASB Statement No. 40, "Deposits and Investment Risk Disclosures" and GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries."

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

The implementation of GASB Statement No. 42 did not affect the presentation of the financial statements of the City.

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at December 31, 2005, include the following individual fund deficits:

	<u>Deficit Fund Balance</u>
General Fund	\$547,105
<i>Special Revenue Funds:</i>	
Fire Pension Fund	25,964
Police Pension Fund	35,055

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 fire levy special revenue fund had final appropriations in excess of estimated resources plus carryover balances in the amount of \$3,474 contrary to Section 5705.39, Revised Code.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

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 community home improvement program and fire levy 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).

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	Community Home Improvement Program	Fire Levy
GAAP Basis	\$891,755	(\$10,936)	\$0
Net Adjustment for Revenue Accruals	(151,862)	0	0
Net Adjustment for Expenditures Accruals	(15,757)	0	0
Encumbrances	(3,003)	0	0
Budget Basis	\$721,133	(\$10,936)	\$0

Note 6 - Deposits and Investments

Monies held by the City are classified by State statute into three categories.

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,162,608 of the City's bank balance of \$1,504,252 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the City had a repurchase agreement with a maturity of one day.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk The securities backing the repurchase agreement carry a rating of AAA by Standard & Poor's. The City has no investment policy addressing credit risk.

Concentration of Credit Risk The City places no limit on the amount it may invest in any one issuer. The City has 100 percent invested in repurchase agreements.

Note 7 - Receivables

Receivables at December 31, 2005, 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. All 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 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) are for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes are collected in and intended to finance 2006.

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. 2005 public utility property taxes which became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

The full tax rate for all City operations for the year ended December 31, 2005, was \$7.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$109,560,500
Public Utility Property	5,718,290
Tangible Personal Property	<u>14,180,647</u>
Total Assessed Values	<u><u>\$129,459,437</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, 2005 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 2005 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Taxes

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 84.6 percent to the general fund, 1.5 percent to the recreation special revenue fund and 13.9 percent to the bond retirement debt service fund.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
CHIS/CHIPS Grant	\$541,000
Gasoline and Municipal Cents per Gallon	249,508
Local Government and Local Government Revenue Assistance	154,382
Homestead and Rollback	61,410
Permissive Tax	51,792
Estate Tax	35,787
Capital Projects Grant	7,278
Health Grant	1,250
Street Construction, Maintenance and Repair Grant	250
Law Enforcement Grant	196
Total	<u><u>\$1,102,853</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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2005.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance 12/31/2004	Additions	Deductions	Balance 12/31/2005
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<i>Capital Assets being Depreciated:</i>				
Buildings	9,068,756	0	0	9,068,756
Building Improvements	146,183	0	0	146,183
Furniture and Equipment	1,589,145	43,942	0	1,633,087
Vehicles	1,144,621	5,975	(84,894)	1,065,702
Infrastructure:				
Streets	52,555,453	0	0	52,555,453
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
Total Capital Assets being Depreciated	79,436,558	49,917	(84,894)	79,401,581
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,536,919)	(83,498)	0	(1,620,417)
Building Improvements	(46,824)	(5,846)	0	(52,670)
Furniture and Equipment	(945,162)	(122,920)	0	(1,068,082)
Vehicles	(1,011,912)	(47,514)	78,368	(981,058)
Infrastructure:				
Streets	(28,332,944)	(1,051,109)	0	(29,384,053)
Sidewalks	(6,962,630)	(257,875)	0	(7,220,505)
Curbs	(1,100,866)	(40,773)	0	(1,141,639)
Total Accumulated Depreciation	(39,937,257)	(1,609,535) *	78,368	(41,468,424)
Total Capital Assets being Depreciated, Net	39,499,301	(1,559,618)	(6,526)	37,933,157
Governmental Activities Capital Assets, Net	<u>\$40,572,941</u>	<u>(\$1,559,618)</u>	<u>(\$6,526)</u>	<u>\$39,006,797</u>
	Balance 12/31/2004	Additions	Deductions	Balance 12/31/2005
Business Type Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$4,187,169	\$0	\$0	\$4,187,169
<i>Capital Assets being Depreciated:</i>				
Buildings	7,028,774	0	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	193,112	0	0	193,112
Vehicles	354,304	2,601	0	356,905
Infrastructure	929,653	0	0	929,653
Total Capital Assets being Depreciated	<u>\$12,045,843</u>	<u>\$2,601</u>	<u>\$0</u>	<u>\$12,048,444</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

	Balance 12/31/2004	Additions	Deductions	Balance 12/31/2005
<i>Less Accumulated Depreciation:</i>				
Buildings	(\$1,579,319)	(\$63,899)	\$0	(\$1,643,218)
Building Improvements	(1,823,497)	(78,857)	0	(1,902,354)
Furniture and Equipment	(104,606)	(15,511)	0	(120,117)
Vehicles	(213,842)	(28,648)	0	(242,490)
Infrastructure	(502,014)	(18,593)	0	(520,607)
<i>Total Accumulated Depreciation</i>	<u>(4,223,278)</u>	<u>(205,508)</u>	<u>0</u>	<u>(4,428,786)</u>
Total Capital Assets being Depreciated, Net	<u>7,822,565</u>	<u>(202,907)</u>	<u>0</u>	<u>7,619,658</u>
Business Type Activities Capital Assets, Net	<u>\$12,009,734</u>	<u>(\$202,907)</u>	<u>\$0</u>	<u>\$11,806,827</u>

*Depreciation expense was charged to governmental activities as follows:

General Government	\$125,328
Security of Persons and Property	49,383
Transportation	1,068,005
Community Development	313,640
Basic Utility Services	37,733
Leisure Time Activities	11,296
Public Health Services	4,150
Total Depreciation Expense	<u>\$1,609,535</u>

Note 11 - Interfund Balances

Interfund Receivable	Interfund Payable		
	General Fund	Recreation	Totals
Street Construction, Maintenance and Repair	\$175,402	\$264	\$175,666
Other Governmental Funds:			
Capital Projects	62,587	0	62,587
Federal Assistance Grant	120,652	0	120,652
Municipal Court Computer	83,610	0	83,610
Total Other Governmental Funds	<u>266,849</u>	<u>0</u>	<u>266,849</u>
Totals	<u>\$442,251</u>	<u>\$264</u>	<u>\$442,515</u>

The street construction, maintenance and repair special revenue fund advanced money to the general fund to cover the negative cash: 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. The advances will be repaid within one year.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

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
Business-Type Activities:			
<i>Ohio Water Development Authority Loans</i>			
OWDA Water and Sewer Loan	5.65%	\$687,526	2017
Water Distribution	6.36%	441,086	2017
Lakes Project	6.87%	2,513,646	2015
Liberty Water	6.36%	47,158	2017
Sewer Plant	8.48%	4,267,088	2007
Governmental Activities:			
<i>Loans Payable</i>			
Justice Center	5.41%	4,000,000	2019
Street Widening	5.75%	2,500,000	2020
Ohio 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 2005 follows:

	Amount Outstanding 12/31/2004	Additions	Deletions	Amount Outstanding 12/31/2005	Amounts Due In One Year
Business-Type Activities:					
<i>Ohio Water Development Authority Loans</i>					
2002 OWDA Water and Sewer Loan	\$608,878	\$0	(\$34,658)	\$574,220	\$36,644
1998 Water Distribution	338,603	0	(17,522)	321,081	18,636
1996 Lakes Project	1,772,746	0	(113,090)	1,659,656	120,860
1997 Liberty Water	35,743	0	(1,959)	33,784	2,084
1988 Sewer Plant	1,150,367	0	(352,700)	797,667	382,609
Total Ohio Water Development Authority Loans	3,906,337	0	(519,929)	3,386,408	560,833
Compensated Absences	172,135	18,339	(40,059)	150,415	32,021
Total Business-Type Activities Obligations	\$4,078,472	\$18,339	(\$559,988)	\$3,536,823	\$592,854

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

	Amount Outstanding 12/31/2004	Additions	Deletions	Amount Outstanding 12/31/2005	Amounts Due In One Year
Governmental Activities Obligations:					
<i>Loans Payable</i>					
Justice Center	\$3,416,975	\$0	(\$162,623)	\$3,254,352	\$170,484
Street Widening	2,063,356	0	(89,621)	1,973,735	93,953
Ohio Edison	281,664	0	(281,664)	0	0
Total Loans Payable	5,761,995	0	(533,908)	5,228,087	264,437
Ohio Public Works Commission Loan	124,625	0	(8,595)	116,030	8,595
Compensated Absences	898,364	115,225	(373,728)	639,861	46,971
Police and Fire Pension	291,801	0	(4,822)	286,979	5,029
<i>Total Governmental Activities Obligations</i>	<u>\$7,076,785</u>	<u>\$115,225</u>	<u>(\$921,053)</u>	<u>\$6,270,957</u>	<u>\$325,032</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 \$22,446,416 at December 31, 2005. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005, are as follows:

Governmental Activities:

	Long-Term Loans		Police and Fire Pension		OPWC Loan	Totals
	Principal	Interest	Principal	Interest	Principal	
2006	\$264,438	\$243,251	\$5,029	\$12,144	\$8,595	\$533,457
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	319,397	188,292	5,946	11,227	8,595	533,457
2011-2015	1,844,049	694,456	33,864	52,001	42,975	2,667,345
2016-2020	1,927,694	211,899	42,005	43,860	30,080	2,255,538
2021-2025	0	0	51,544	34,321	0	85,865
2026-2030	0	0	61,517	24,348	0	85,865
2031-2035	0	0	70,663	15,202	0	85,865
Total	<u>\$5,228,087</u>	<u>\$1,988,456</u>	<u>\$286,979</u>	<u>\$228,211</u>	<u>\$116,030</u>	<u>\$7,847,763</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

Business-Type Activities:

	OWDA Loans	
	Principal	Interest
2006	\$560,831	\$236,162
2007	605,003	191,995
2008	202,438	144,305
2009	215,760	130,983
2010	229,960	116,783
2011-2015	1,397,997	335,718
2016-2018	174,419	12,916
Total	\$3,386,408	\$1,168,862

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 2005, 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 is accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$45,000 per individual and \$1,200,000 for the City as a whole. Incurred but not reported claims of \$62,745 have been accrued as a liability based on a review of January, 2006 billings provided by the City Auditor's Office.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

The claims liability of \$62,745 reported in the internal service fund at December 31, 2005 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 2004 and 2005 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2004	\$27,979	\$893,687	\$914,953	\$6,713
2005	6,713	1,181,234	1,125,202	62,745

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, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, 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 employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer'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
For The Year Ended December 31, 2005

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$200,760, \$207,358, and \$199,056 respectively; 96.21 percent has been contributed for 2005 and 100 percent for 2004 and 2003. Contributions to the member-directed plan for 2005 were \$3,952 made by the City and \$2,479 made by the plan members.

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 benefits while the employer 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 OP&F for police and firefighters were \$115,420 and \$122,070 for the year ended December 31, 2005, \$98,780 and \$123,796 for the year ended December 31, 2004 and \$112,873 and \$148,360 for the year ended December 31, 2003. The full amount has been contributed for 2004 and 2003. 95.82 percent and 95.25 percent has been contributed for 2005.

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, 2005, the unfunded liability of the City was \$286,979 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 benefit recipients and qualified survivor benefit 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 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 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, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

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 376,109. Actual City contributions for 2005 which were used to fund postemployment benefits were \$84,088. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board 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. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly 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 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors 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 2005 that were used to fund postemployment health care benefits were \$76,128 for police and \$58,218 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

Note 16 - Jointly Governed Organizations

A. Eastgate Regional Council of Governments

The Eastgate Development and Transportation Agency (Agency) is committed to fostering cooperative regional efforts in the planning, programming, and implementation of public sector activities. It has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, cities and villages. The operation of Agency is controlled by a general policy board which

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2005

consists of a representative from each member. Funding comes from each of the members. In 2005, the City contributed \$3,816 to the Eastgate Regional Council of Governments.

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 2005, the City contributed \$2,289 to the Emergency Management Agency.

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**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant Formula Allocation Program	A-F-03-127-1 A-F-04-127-1	14.228	1,395 61,627
Community Distress Program	A-F-05-127-1		1,829
Community Housing Improvement Program	A-C-03-127-1 A-C-05-127-1		43,255 8,277
Sub-Total Community Development Block Grant			116,383
HOME Investment Partnerships Program	A-C-03-127-2 A-C-05-127-2	14.239	316,906 6,200
Sub-Total Home Investment Partnerships Program			323,106
Total U.S. Department of Housing and Urban Development			439,489
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Public Assistance Grants	FEMA-DR-1484-155-30198	97.036	86,264
Hazard Mitigation Grant	FEMA-DR-1484.25-OH	97.039	8,512
Total U.S. Department of Homeland Security			94,776
<u>U.S. DEPARTMENT OF OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Aging:</i>			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Citizens	N/A	93.044	11,096
Total U.S. Department of Health and Human Services			11,096
Total			\$545,361

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, 2005**

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, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 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 November 30, 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 *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-002. In a separate letter to the City's management dated November 30, 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

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

November 30, 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, 2005. 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, 2005. In a separate letter to the City's management dated November 30, 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

November 30, 2006

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

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

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

MATERIAL CITATIONS

Finding Number	2005-001
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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.

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)**

Finding Number	2005-001
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Ohio Revised Code Section 5705.10 – (Continued)

On December 31, 2005 the following funds had negative cash fund balances:

General Fund	(\$ 422,692)
Agency Reimbursement Fund	(\$ 42,457)
Capital Improvement Reimbursement Fund	(\$ 460,596)
Recreation Fund	(\$ 265)

Of the four funds listed above only the Recreation Fund 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 deficit as of December 31, 2005.

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.

Finding Number	2005-002
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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 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2005
(Continued)

Finding Number	2005-002
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Ohio Revised Code Section 5705.41(D) – (Continued)

2. Blanket Certificate: Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate: The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a 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 certified as to the availability of funds by the City prior to incurring the obligations. The City Auditor should inform all City employees of the requirements of the Ohio Revised Code Section 5705.41(D). The City should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Revised Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2004-001	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.	Yes	Finding No Longer Valid.
2004-002	ORC 5705.10 – Negative Fund Balances.	No	Not Corrected. Repeated as Finding Number 2005-001.
2004-003	ORC 5705.41 (D) - Proper Certification.	No	Not Corrected. Repeated as Finding Number 2005-002.



Mary Taylor, CPA
Auditor of State

CITY OF GIRARD
TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2007