



Dave Yost • Auditor of State

**CITY OF GIRARD
TRUMBULL COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Auditor of State served during the year ended December 31, 2010, as the City's financial supervisor under Ohio Revised Code §118.05(G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the City because the Auditor of State may assume broad management powers, duties, and functions under Ohio Revised Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §118.05(G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinions.

We were unable to obtain the necessary assurances regarding the accuracy, completeness, and occurrence of the water and sewer billing revenue reported in the business-type activities, and the Water Fund and Sewer Fund for the year ended December 31, 2010.

In our opinion, except for the effects of such adjustments, if any as might have been necessary had we been able to examine certain information regarding water and sewer revenue reported with the business-type activities and the Water Fund and Sewer Fund as described in paragraph three above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the Water and Sewer Funds of the City of Girard, Trumbull County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General, and Bond Retirement Funds, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 18 to the financial statements, the City has been declared to be in fiscal emergency and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. This condition raises substantial doubt about the City's ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 18, 2011

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City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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, 2010. 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 2010 are as follows:

- The City was able replace the prior year notes for the justice center and street widening project with new notes. These notes have an interest rate of 3.00 percent, which is significantly better than the floating interest rate around 4.29 percent on the old justice center and street widening project notes.
- Total governmental capital assets decreased due to an additional year of depreciation expense being taken. The business-type activities capital assets increased due to investments made in new equipment for sewer operations. This increase was offset by an additional year of depreciation expense.
- The City has made great strides to recover from fiscal emergency, which was declared in 2001. All fund deficits that placed the City into fiscal emergency have been eliminated. The City continues to make cost cutting measures a priority and carefully monitors revenues for any significant changes.

Using this Annual Financial Report

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

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

Reporting on the City of Girard as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question.

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2010
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These two statements report the City's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base, current property tax laws in Ohio restricting revenue growth and other factors.

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

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

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

Reporting on the Most Significant Funds of the City of Girard

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the bond retirement debt service fund.

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

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

City of Girard
Management's Discussion and Analysis
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The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

The City of Girard as a Whole

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2010 as they compare to 2009.

(Table 1)
Net Assets

	Governmental Activites		Business-Type Activites		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current and Other Assets	\$5,005,321	\$4,814,467	\$1,565,064	\$1,355,131	\$6,570,385	\$6,169,598
Capital Assets, Net	30,116,632	31,610,135	11,081,093	11,076,345	41,197,725	42,686,480
<i>Total Assets</i>	<u>35,121,953</u>	<u>36,424,602</u>	<u>12,646,157</u>	<u>12,431,476</u>	<u>47,768,110</u>	<u>48,856,078</u>
Liabilities						
Current Liabilities	6,106,820	6,073,197	134,322	167,087	6,241,142	6,240,284
Long-term Liabilities						
Due within one Year	81,470	57,346	251,618	248,898	333,088	306,244
Due in More than one Year	791,948	864,206	1,500,077	1,732,833	2,292,025	2,597,039
<i>Total Liabilities</i>	<u>\$6,980,238</u>	<u>\$6,994,749</u>	<u>\$1,886,017</u>	<u>\$2,148,818</u>	<u>\$8,866,255</u>	<u>\$9,143,567</u>

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

(Table 1)
Net Assets (continued)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$25,734,663	\$27,219,571	\$9,508,679	\$9,273,969	\$35,243,342	\$36,493,540
Restricted for:						
Capital Projects	92,122	272,536	0	0	92,122	272,536
Debt Service	142,122	0	0	0	142,122	0
State Highway Maintenance	25,009	16,590	0	0	25,009	16,590
Street Resurfacing and Traffic Lights	63,901	123,369	0	0	63,901	123,369
Garbage Collection	120,531	169,126	0	0	120,531	169,126
Other Purposes	1,463,812	1,205,080	0	0	1,463,812	1,205,080
Unrestricted (Deficit)	499,555	423,581	1,251,461	1,008,689	1,751,016	1,432,270
<i>Total Net Assets</i>	<u>\$28,141,715</u>	<u>\$29,429,853</u>	<u>\$10,760,140</u>	<u>\$10,282,658</u>	<u>\$38,901,855</u>	<u>\$39,712,511</u>

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

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal year 2010 and 2009.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Program Revenues						
Charges for Services and Assessments	\$1,802,894	\$1,680,280	\$4,713,121	\$4,734,144	\$6,516,015	\$6,414,424
Operating Grants and Contributions	2,183,986	1,258,050	0	0	2,183,986	1,258,050
Capital Grants and Contributions	49,153	0	0	0	49,153	0
<i>Total Program Revenues</i>	<u>4,036,033</u>	<u>2,938,330</u>	<u>4,713,121</u>	<u>4,734,144</u>	<u>8,749,154</u>	<u>7,672,474</u>
General Revenues						
Property Taxes	1,054,616	1,182,167	0	0	1,054,616	1,182,167
Municipal Income Tax	2,986,076	2,865,586	0	0	2,986,076	2,865,586
Grants and Entitlements not Restricted to Specific Programs	414,991	374,897	400,000	0	814,991	374,897
Interest	3,472	12,365	0	0	3,472	12,365
Miscellaneous	149,411	544,176	6,410	0	155,821	544,176
<i>Total General Revenues</i>	<u>4,608,566</u>	<u>4,979,191</u>	<u>406,410</u>	<u>0</u>	<u>5,014,976</u>	<u>4,979,191</u>
<i>Total Revenues</i>	<u>\$8,644,599</u>	<u>\$7,917,521</u>	<u>\$5,119,531</u>	<u>\$4,734,144</u>	<u>\$13,764,130</u>	<u>\$12,651,665</u>

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

(Table 2)
Changes in Net Assets (continued)

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Program Expenses						
General Government	\$2,538,361	\$2,915,150	\$0	\$0	\$2,538,361	\$2,915,150
Security of Persons and Property	3,107,184	3,148,135	0	0	3,107,184	3,148,135
Public Health Services	150,846	216,078	0	0	150,846	216,078
Transportation	2,015,263	1,966,040	0	0	2,015,263	1,966,040
Community Development	1,145,802	899,822	0	0	1,145,802	899,822
Basic Utility Services	488,400	444,158	0	0	488,400	444,158
Leisure Time Activities	311,248	291,978	0	0	311,248	291,978
Interest and Fiscal Charges	175,633	276,313	0	0	175,633	276,313
Water	0	0	2,636,330	2,570,060	2,636,330	2,570,060
Sewer	0	0	2,005,719	1,869,664	2,005,719	1,869,664
<i>Total Program Expenses</i>	<u>9,932,737</u>	<u>10,157,674</u>	<u>4,642,049</u>	<u>4,439,724</u>	<u>14,574,786</u>	<u>14,597,398</u>
<i>Change in Net Assets</i>	(1,288,138)	(2,240,153)	477,482	294,420	(810,656)	(1,945,733)
Net Assets Beginning of the Year	29,429,853	31,670,006	10,282,658	9,988,238	39,712,511	41,658,244
Net Assets End of the Year	<u>\$28,141,715</u>	<u>\$29,429,853</u>	<u>\$10,760,140</u>	<u>\$10,282,658</u>	<u>\$38,901,855</u>	<u>\$39,712,511</u>

Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. There was an increase in income tax collections in 2010, mainly due to increases in the income tax receivable. The revenue collected from the income tax, less funds necessary to pay the administrative fees for RITA and to cover refunds, are receipted into the following funds: 83 percent went to the general fund (January), 84 percent (February through May), and 99 percent (June through December), 1 percent went to the recreation fund (January through December), 10 percent went to the general obligation bond retirement fund (January), 15 percent (February through May), 6 percent (January) went into the garbage fund.

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

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

General government expenses declined from 2009, mainly due to wage freezes and cost cutting measures by the finance, mayor and council departments. The largest governmental activities expenses are for the police and fire departments. The police department employs sixteen officers including the police chief and one full-time and four part-time dispatchers. The fire department employs thirteen full-time positions. The City of

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Girard passed a property tax levy to help support its fire department; this will allow for the moving of certain expenses from the general fund.

The Girard Municipal Court is accounted for within the City of Girard's books. In 2006, the City and the Court entered into litigation over what constitutes "reasonable funding" for the court operations. The City was successful and now has a template to measure budget requests by the Court to determine if they are reasonable.

The transportation department had increases in costs from 2009, due to a hard winter season increasing monies spent on supplies.

Business-Type Activities

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated revenues of \$3,060,402 from water and \$1,652,719 from the sewer plant facility. Water and sewer expenses for 2010 amounted to \$2,636,330 and \$2,005,719, respectively. For 2010, 7,119 water customers and 3,899 sewer customers were serviced. Approximately 45 million gallons are billed and processed on a monthly basis.

The City's Funds

Information about the City's governmental funds begins on page 16. The funds are accounted for using the modified accrual method of accounting. The general fund concluded the year with a positive fund balance. The bond retirement fund ended the year with a negative fund balance due to the issuance of short-term notes. The City continues to maintain overall services that were offered prior to the placement into fiscal emergency, although there has been some reduction. The City continues to strive to reduce the negative fund deficits that were the cause of the fiscal emergency. As of the end of 2010, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated. A five year forecast is currently being developed and will be submitted as required by law.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$4,713,121 and total operating expenses of \$4,197,972. If expenses were to exceed revenue and dramatically affect net assets, the City has the power to increase revenue through rate increases.

General Fund Budgeting Highlights

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2010, actual revenues for the general fund were less than final estimated revenues due to less income taxes collections than actually expected. City Council's actual expenditures were less than final appropriations due to management keeping costs low while still providing the services the citizens expect.

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 2010, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2010
Unaudited

Capital Assets and Debt Administration

Capital Assets

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

Total capital assets for the business-type activities, net of accumulated depreciation increased due to the purchase of new equipment for sewer operations. The increase was offset by an additional year of accumulated depreciation being taken. See Note 10 to the basic financial statements for additional information on capital assets.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	7,024,476	7,111,362	6,226,727	6,349,415	13,251,203	13,460,777
Furniture and Equipment	169,741	170,434	288,194	123,756	457,935	294,190
Vehicles	205,662	261,829	81,514	99,924	287,176	361,753
Infrastructure						
Streets	16,864,745	17,915,854	0	0	16,864,745	17,915,854
Sidewalks	4,126,003	4,383,878	0	0	4,126,003	4,383,878
Curbs	652,365	693,138	0	0	652,365	693,138
Water and Sewer Lines	0	0	297,489	316,081	297,489	316,081
Total Capital Assets	\$30,116,632	\$31,610,135	\$11,081,093	\$11,076,345	\$41,197,725	\$42,686,480

Long-term Obligations

The long-term obligations include OPWC and OWDA loans, compensated absences and police and fire pensions.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
OPWC Loans	77,354	85,949	0	0	77,354	85,949
OWDA Loans	0	0	1,572,414	1,802,376	1,572,414	1,802,376
Compensated Absences	536,473	570,066	179,281	179,355	715,754	749,421
Police and Fire Pension	259,591	265,537	0	0	259,591	265,537
Total	\$873,418	\$921,552	\$1,751,695	\$1,981,731	\$2,625,113	\$2,903,283

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

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

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

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

The City of Girard's overall legal debt margin was \$19,259,723 on December 31, 2010. For more information about the City's long-term obligations, see Note 12 to the basic financial statements.

Current Financial Issues

The City of Girard was placed in fiscal emergency in 2001. The City continues to maintain overall services that were offered prior to the placement into fiscal emergency, although there has been some reduction. The City continues to strive to reduce the negative fund deficits that were the cause of the fiscal emergency. As of the end of 2010, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated.

Contacting the City of Girard's Financial Management

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

City of Girard, Ohio

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$721,278	\$573,563	\$1,294,841
Accrued Interest Receivable	226	0	226
Accounts Receivable	64,726	907,940	972,666
Internal Balances	10,159	(10,159)	0
Intergovernmental Receivable	1,088,711	0	1,088,711
Property Taxes Receivable	1,580,450	0	1,580,450
Income Taxes Receivable	1,418,528	0	1,418,528
Special Assessments Receivable	17,807	63,422	81,229
Loans Receivable	89,723	0	89,723
Prepaid Items	13,713	30,298	44,011
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	29,042,992	6,893,924	35,936,916
<i>Total Assets</i>	<u>35,121,953</u>	<u>12,646,157</u>	<u>47,768,110</u>
Liabilities			
Accounts Payable	11,247	9,537	20,784
Accrued Wages	59,328	17,044	76,372
Intergovernmental Payable	261,202	56,540	317,742
Matured Compensated Absences Payable	26,334	0	26,334
Accrued Interest Payable	58,033	51,201	109,234
Notes Payable	4,304,615	0	4,304,615
Claims Payable	50,458	0	50,458
Deferred Revenue	1,335,603	0	1,335,603
Long-Term Liabilities:			
Due Within One Year	81,470	251,618	333,088
Due In More Than One Year	791,948	1,500,077	2,292,025
<i>Total Liabilities</i>	<u>6,980,238</u>	<u>1,886,017</u>	<u>8,866,255</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	25,734,663	9,508,679	35,243,342
Restricted for:			
Capital Projects	92,122	0	92,122
Debt Service	142,122	0	142,122
State Highway Maintenance	25,009	0	25,009
Street Resurfacing and Traffic Lights	63,901	0	63,901
Garbage Collection	120,531	0	120,531
Other Purposes	1,463,812	0	1,463,812
Unrestricted	499,555	1,251,461	1,751,016
<i>Total Net Assets</i>	<u>\$28,141,715</u>	<u>\$10,760,140</u>	<u>\$38,901,855</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2010

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,538,361	\$876,904	\$53,572	\$49,153
Security of Persons and Property	3,107,184	623,327	157,762	0
Public Health Services	150,846	103,519	8,433	0
Transportation	2,015,263	3,620	950,487	0
Community Development	1,145,802	169,860	853,806	0
Basic Utility Services	488,400	0	126,934	0
Leisure Time Activities	311,248	25,664	32,992	0
Interest and Fiscal Charges	175,633	0	0	0
<i>Total Governmental Activities</i>	<u>9,932,737</u>	<u>1,802,894</u>	<u>2,183,986</u>	<u>49,153</u>
Business-Type Activities:				
Water	2,636,330	3,060,402	0	0
Sewer	2,005,719	1,652,719	0	0
<i>Total Business-Type Activities</i>	<u>4,642,049</u>	<u>4,713,121</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u><u>\$14,574,786</u></u>	<u><u>\$6,516,015</u></u>	<u><u>\$2,183,986</u></u>	<u><u>\$49,153</u></u>

General Revenues

Property Taxes Levied for:

General Purposes

Garbage

Fire

Police

Cemetery

Senior Services

Income Taxes Levied for:

General Purposes

Debt Service

Garbage

Recreation

Grants and Entitlements not Restricted
to Specific Programs

Interest

Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

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
(\$1,558,732)	\$0	(\$1,558,732)
(2,326,095)	0	(2,326,095)
(38,894)	0	(38,894)
(1,061,156)	0	(1,061,156)
(122,136)	0	(122,136)
(361,466)	0	(361,466)
(252,592)	0	(252,592)
(175,633)	0	(175,633)
(5,896,704)	0	(5,896,704)
0	424,072	424,072
0	(353,000)	(353,000)
0	71,072	71,072
(5,896,704)	71,072	(5,825,632)
238,145	0	238,145
256,935	0	256,935
318,061	0	318,061
31,413	0	31,413
21,086	0	21,086
188,976	0	188,976
2,866,892	0	2,866,892
85,617	0	85,617
2,927	0	2,927
30,640	0	30,640
414,991	400,000	814,991
3,472	0	3,472
149,411	6,410	155,821
4,608,566	406,410	5,014,976
(1,288,138)	477,482	(810,656)
29,429,853	10,282,658	39,712,511
<u>\$28,141,715</u>	<u>\$10,760,140</u>	<u>\$38,901,855</u>

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$21,912	\$128,315	\$571,051	\$721,278
Receivables:				
Property Taxes	321,941	0	1,258,509	1,580,450
Income Taxes	1,333,417	70,926	14,185	1,418,528
Accounts	18,188	0	46,538	64,726
Intergovernmental	155,911	0	932,800	1,088,711
Special Assessments	185	0	17,622	17,807
Accrued Interest	226	0	0	226
Prepaid Items	8,726	0	4,987	13,713
Loans Receivable	0	0	89,723	89,723
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	24,602	0	0	24,602
Total Assets	\$1,885,108	\$199,241	\$2,935,415	\$5,019,764
Liabilities				
Accounts Payable	\$5,996	\$0	\$5,251	\$11,247
Accrued Wages	51,078	0	8,250	59,328
Intergovernmental Payable	118,566	0	142,636	261,202
Deferred Revenue	1,574,143	59,475	2,123,302	3,756,920
Matured Compensated Absences Payable	26,334	0	0	26,334
Accrued Interest Payable	0	57,119	0	57,119
Notes Payable	0	4,304,615	0	4,304,615
Total Liabilities	1,776,117	4,421,209	2,279,439	8,476,765
Fund Balances				
Reserved for Encumbrances	4,824	0	675	5,499
Reserved for Unclaimed Monies	24,602	0	0	24,602
Reserved for Loans Receivable	0	0	69,110	69,110
Unreserved, Undesignated, Reported in:				
General Fund	54,963	0	0	54,963
Special Revenue Funds	0	0	494,069	494,069
Debt Service Fund (Deficit)	0	(4,221,968)	0	(4,221,968)
Capital Projects Funds	0	0	92,122	92,122
Total Fund Balances	84,389	(4,221,968)	655,976	(3,481,603)
Total Liabilities and Fund Balances	\$1,860,506	\$199,241	\$2,935,415	\$4,995,162

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, 2010*

Total Governmental Fund Balances (\$3,481,603)

*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. 30,116,632

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

Property Taxes	244,847
Income Taxes	1,189,499
Intergovernmental	969,164
Special Assessments	<u>17,807</u>

Total 2,421,317

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	(50,458)
Internal Balances	<u>10,159</u>

Total (40,299)

In the statement of activities, interest is accrued on outstanding bonds, whereas
 in governmental funds, an interest expenditure is reported when due. (914)

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

OPWC Loans Payable	(77,354)
Compensated Absences	(536,473)
Police and Fire Pension Loan	<u>(259,591)</u>

Total (873,418)

Net Assets of Governmental Activities \$28,141,715

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, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$239,559	\$0	\$789,913	\$1,029,472
Municipal Income Taxes	2,679,041	132,513	30,419	2,841,973
Special Assessments	64	0	14,833	14,897
Charges for Services	0	0	82,918	82,918
Fees, Licenses and Permits	205,167	0	277,384	482,551
Fines and Forfeitures	827,876	0	358,314	1,186,190
Intergovernmental	398,050	0	1,963,182	2,361,232
Interest	2,798	0	674	3,472
Rentals	31,314	0	5,184	36,498
Contributions and Donations	0	0	1,480	1,480
Other	87,857	0	61,554	149,411
<i>Total Revenues</i>	<u>4,471,726</u>	<u>132,513</u>	<u>3,585,855</u>	<u>8,190,094</u>
Expenditures				
Current:				
General Government	1,778,243	0	342,490	2,120,733
Security of Persons and Property	2,549,107	0	600,094	3,149,201
Public Health Services	52,209	0	113,339	165,548
Transportation	14,639	0	938,435	953,074
Community Development	0	0	821,192	821,192
Basic Utility Services	0	0	475,391	475,391
Leisure Time Activities	0	0	305,619	305,619
Capital Outlay	0	0	356,567	356,567
Debt Service:				
Principal Retirement	0	0	14,541	14,541
Interest and Fiscal Charges	0	146,428	29,227	175,655
<i>Total Expenditures</i>	<u>4,394,198</u>	<u>146,428</u>	<u>3,996,895</u>	<u>8,537,521</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>77,528</u>	<u>(13,915)</u>	<u>(411,040)</u>	<u>(347,427)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	58,000	58,000
Transfers Out	(58,000)	0	0	(58,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(58,000)</u>	<u>0</u>	<u>58,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	19,528	(13,915)	(353,040)	(347,427)
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>64,861</u>	<u>(4,208,053)</u>	<u>1,009,016</u>	<u>(3,134,176)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$84,389</u>	<u>(\$4,221,968)</u>	<u>\$655,976</u>	<u>(\$3,481,603)</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, 2010*

Net Change in Fund Balances - Total Governmental Funds (\$347,427)

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	43,037
Depreciation	<u>(1,504,823)</u>

Total (1,461,786)

Governmental funds only report the disposal of capital 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. (31,717)

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

Property Taxes	25,144
Income Taxes	144,103
Intergovernmental	285,418
Special Assessments	<u>(160)</u>

Total 454,505

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. 14,541

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 22

Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 33,593

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	62,430
Internal Balances	<u>(12,299)</u>

Total 50,131

Change in Net Assets of Governmental Activities (\$1,288,138)

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$281,562	\$305,873	\$239,559	(\$66,314)
Municipal Income Taxes	2,598,000	3,077,027	2,611,885	(465,142)
Special Assessments	64	64	64	0
Fees, Licenses and Permits	263,800	284,469	224,349	(60,120)
Fines and Forfeitures	733,000	796,288	812,213	15,925
Intergovernmental	299,430	325,284	392,037	66,753
Interest	25,000	27,159	2,984	(24,175)
Rentals	25,000	27,159	31,314	4,155
Other	47,349	50,881	87,857	36,976
<i>Total Revenues</i>	4,273,205	4,894,204	4,402,262	(491,942)
Expenditures				
Current:				
General Government	1,708,046	1,735,160	1,784,025	(48,865)
Security of Persons and Property	2,473,200	2,611,300	2,579,897	31,403
Public Health Services	48,830	48,830	39,685	9,145
Transportation	16,550	14,895	14,614	281
<i>Total Expenditures</i>	4,246,626	4,410,185	4,418,221	(8,036)
<i>Excess of Revenues Over Expenditures</i>	26,579	484,019	(15,959)	(499,978)
Other Financing Uses				
Transfers Out	(58,000)	(58,000)	(58,000)	0
<i>Net Change in Fund Balance</i>	(31,421)	426,019	(73,959)	(499,978)
<i>Fund Balance Beginning of Year</i>	84,409	84,409	84,409	0
Prior Year Encumbrances Appropriated	1,067	1,067	1,067	0
<i>Fund Balance End of Year</i>	\$54,055	\$511,495	\$11,517	(\$499,978)

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2010

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$191,375	\$382,188	\$573,563	\$0
Accounts Receivable	604,663	303,277	907,940	0
Special Assessments Receivable	52,882	10,540	63,422	0
Prepaid Items	9,973	20,325	30,298	0
<i>Total Current Assets</i>	<u>858,893</u>	<u>716,330</u>	<u>1,575,223</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	1,959,781	4,934,143	6,893,924	0
<i>Total Noncurrent Assets</i>	<u>3,646,950</u>	<u>7,434,143</u>	<u>11,081,093</u>	<u>0</u>
<i>Total Assets</i>	<u>4,505,843</u>	<u>8,150,473</u>	<u>12,656,316</u>	<u>0</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	7,084	2,453	9,537	0
Accrued Wages	6,684	10,360	17,044	0
Intergovernmental Payable	21,591	34,949	56,540	0
Accrued Interest Payable	44,357	6,844	51,201	0
Compensated Absences Payable	4,800	1,716	6,516	0
OWDA Loans Payable	213,293	31,809	245,102	0
Claims Payable	0	0	0	50,458
<i>Total Current Liabilities</i>	<u>297,809</u>	<u>88,131</u>	<u>385,940</u>	<u>50,458</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	63,682	109,083	172,765	0
OWDA Loans Payable	1,116,840	210,472	1,327,312	0
<i>Total Long-Term Liabilities</i>	<u>1,180,522</u>	<u>319,555</u>	<u>1,500,077</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,478,331</u>	<u>407,686</u>	<u>1,886,017</u>	<u>50,458</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,316,817	7,191,862	9,508,679	0
Unrestricted (Deficit)	710,695	550,925	1,261,620	(50,458)
<i>Total Net Assets (Deficit)</i>	<u>\$3,027,512</u>	<u>\$7,742,787</u>	<u>10,770,299</u>	<u>(\$50,458)</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:			<u>(10,159)</u>	
Net assets of business-type activities			<u>\$10,760,140</u>	

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, 2010*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$3,059,905	\$1,651,001	\$4,710,906	\$1,330,878
Special Assessments	497	1,718	2,215	0
<i>Total Operating Revenues</i>	<u>3,060,402</u>	<u>1,652,719</u>	<u>4,713,121</u>	<u>1,330,878</u>
Operating Expenses				
Personal Services	653,892	1,017,318	1,671,210	0
Materials and Supplies	52,981	244,149	297,130	0
Contractual Services	1,471,282	509,084	1,980,366	173,014
Depreciation	36,146	161,031	197,177	0
Claims	0	0	0	1,095,434
Other	41,923	10,166	52,089	0
<i>Total Operating Expenses</i>	<u>2,256,224</u>	<u>1,941,748</u>	<u>4,197,972</u>	<u>1,268,448</u>
<i>Operating Income (Loss)</i>	<u>804,178</u>	<u>(289,029)</u>	<u>515,149</u>	<u>62,430</u>
Non-Operating Revenue (Expenses)				
Grants	0	400,000	400,000	0
Interest and Fiscal Charges	(385,843)	(70,533)	(456,376)	0
Other Non-Operating Revenues	0	6,410	6,410	0
<i>Total Non-Operating Revenue (Expenses)</i>	<u>(385,843)</u>	<u>335,877</u>	<u>(49,966)</u>	<u>0</u>
<i>Change in Net Assets</i>	418,335	46,848	465,183	62,430
<i>Net Assets (Deficit) Beginning of Year</i>	<u>2,609,177</u>	<u>7,695,939</u>		<u>(112,888)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$3,027,512</u>	<u>\$7,742,787</u>		<u>(\$50,458)</u>

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

12,299

Change in net assets of business-type activities

\$477,482

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010

	Enterprise			Internal Service
	Water	Sewer	Total	
<i>Increase (Decrease) in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$3,034,980	\$1,658,148	\$4,693,128	\$0
Cash Received from Interfund Services Provided	0	0	0	1,330,878
Cash Payments to Employees for Services	(658,233)	(1,047,803)	(1,706,036)	0
Cash Payments for Goods and Services	(1,517,152)	(751,105)	(2,268,257)	(173,014)
Cash Payments for Claims	0	0	0	(1,157,864)
Other Cash Payments	(41,923)	(10,166)	(52,089)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>817,672</u>	<u>(150,926)</u>	<u>666,746</u>	<u>0</u>
Cash Flows from Noncapital Financing Activities				
Grants Received	0	400,000	400,000	0
Non-Operating Revenues Received	0	6,410	6,410	0
Advances Out	(33,877)	0	(33,877)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(33,877)</u>	<u>406,410</u>	<u>372,533</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	0	(201,925)	(201,925)	0
Principal Paid on OWDA Loans	(199,877)	(30,085)	(229,962)	0
Interest Paid on OWDA Loans	(392,543)	(71,383)	(463,926)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(592,420)</u>	<u>(303,393)</u>	<u>(895,813)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	191,375	(47,909)	143,466	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>0</u>	<u>430,097</u>	<u>430,097</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$191,375</u></u>	<u><u>\$382,188</u></u>	<u><u>\$573,563</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>\$804,178</u>	<u>(\$289,029)</u>	<u>\$515,149</u>	<u>\$62,430</u>
Adjustments:				
Depreciation	36,146	161,031	197,177	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(24,925)	6,868	(18,057)	0
Special Assessments Receivable	(497)	(1,439)	(1,936)	0
Prepaid Items	27	(325)	(298)	0
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	3,180	(13,977)	(10,797)	0
Accrued Wages	646	1,807	2,453	0
Claims Payable	0	0	0	(62,430)
Compensated Absences Payable	(3,312)	3,238	(74)	0
Intergovernmental Payable	2,229	(19,100)	(16,871)	0
<i>Total Adjustments</i>	<u>13,494</u>	<u>138,103</u>	<u>151,597</u>	<u>(62,430)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u><u>\$817,672</u></u>	<u><u>(\$150,926)</u></u>	<u><u>\$666,746</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, 2010

	Private Purpose Trust	
	Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,459	\$0
Cash and Cash Equivalents in Segregated Accounts	0	28,669
<i>Total Assets</i>	3,459	\$28,669
Liabilities		
Undistributed Monies	0	\$28,669
Net Assets		
Held in Trust for Endowment	\$3,459	

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, 2010

	Private Purpose Trust
	Memorial
Additions	
Interest	\$2
Deductions	0
<i>Change in Net Assets</i>	2
<i>Net Assets Beginning of Year</i>	3,457
<i>Net Assets End of Year</i>	\$3,459

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, 2010

Note 1 – Description of the City and Reporting Entity

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

On August 8, 2001, the Auditor of State’s office declared the City of Girard to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations within the City and two representatives from the State of Ohio. This Commission approved a financial recovery plan which has been adopted by the City. Once the plan has been adopted, the City’s discretion is limited in that all financial activity of the City must be in accordance with the plan. The recovery plan was last revised on December 21, 2010. State law requires that the plan be updated annually. The recovery plan includes savings by being a drug free workplace, actively pursuing reductions in workers’ compensation and researching alternative health insurance providers to determine if the City can get better insurance rates with estimated savings to the general fund of between \$142,000 and \$276,000. The Board and the Commission have not yet taken any action to revise the recovery plan for year 2011 and beyond. See Note 18 for more information on the City’s fiscal emergency status.

Reporting Entity

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

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

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

The City participates in the Eastgate Development and Transportation Agency and the Emergency Management Agency, both jointly governed organizations. These organizations are presented in Note 17 to the basic financial statements.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Girard have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Pronouncements and Interpretations issued after November 30, 1989 to its business-type activities and to its enterprise funds. The more significant of the City's accounting policies are described below.

Basis of Presentation

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

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

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

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

Fund Accounting

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

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

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

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

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

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

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

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

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

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

Fiduciary Funds

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

Measurement Focus

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

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

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

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

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

Basis of Accounting

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

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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

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.

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, 2010, but which were levied to finance year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

Cash and Cash Equivalents

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are reported as "cash and cash equivalents in segregated accounts" or "investments in segregated accounts" since they are not required to be deposited into the City Treasury.

During 2010, investments were limited to PNC money market mutual funds and nonnegotiable certificates of deposit both reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2010 amount to \$2,798, of which \$2,738 is assigned from other City funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, 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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

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.

Restricted Assets

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

Capital Assets

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

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

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

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

For 2010, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

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.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances, unclaimed monies and loans receivable. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for health services, elderly bus fare, the community block grant program and cemetery maintenance.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

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

Operating Revenues and Expenses

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

Internal Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Internal events that are allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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

Extraordinary and Special Items

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

Estimates

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

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original and final budgeted amounts

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

on the budgetary statements reflect the amounts on the certificate of estimated resources when the original and final appropriations were enacted by Council.

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

Note 3 - Change in Accounting Principle

For 2010, City has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, "Accounting and Reporting for Intangible Assets." GASB 51 Statement No. 51 establishes accounting and financial reporting of such assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the City's financial statements.

Note 4 – Accountability and Compliance

Accountability

Fund balances at December 31, 2010, include the following individual fund deficits:

	<u>Deficit Fund Balances</u>
<i>Major Fund:</i>	
Bond Retirement	\$4,221,968
<i>Special Revenue Funds:</i>	
Elderly Bus Fare	240
COPS	20
Fire Pension	53,264
Police Pension	46,182
<i>Internal Service Fund:</i>	
Hospitalization	50,458

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

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

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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

Note 5 - Budgetary Basis of Accounting

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

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

Net Change in Fund Balances	
	General
GAAP Basis	\$19,528
Net Adjustment for Revenue Accruals	(69,464)
Net Adjustment for Expenditures Accruals	(13,628)
Encumbrances	(10,395)
Budget Basis	(\$73,959)

Note 6 - Deposits and Investments

The City has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

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

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

The City may also invest any monies not required to be used for a specific period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest, or coupons;
3. Obligations of the City.

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

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$982,366 of the City's bank balance of \$1,579,423 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

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

Note 7 - Receivables

Receivables at December 31, 2010, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

All receivables, except property and income taxes, are expected to be received within one year. Property and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant and collected within one year. All special assessments are expected to be collected within one year and none are delinquent.

Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2010 for real and public utility property taxes represents collections of the 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed value as of January 1, 2010, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax revenue received during 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

The full tax rate for all City operations for the year ended December 31, 2010, was \$12.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Real Property	\$122,752,060
Tangible Personal Property	
Public Utility Property	3,623,830
General	341,630
Total Assessed Values	\$126,717,520

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, 2010 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 2010 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

Income Taxes

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 83 percent went to the general fund (January), 84 percent (February through May), and 99 percent (June through December), 1 percent went to the recreation fund (January through December), 10 percent went to the general obligation bond retirement fund (January), 15 percent (February through May), 6 percent (January) went into the garbage fund.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
CHIS/CHIPS Grant	\$345,500
Gasoline and Municipal Cents per Gallon	203,935
Community Block Grant	184,000
Local Government	129,801
Homestead and Rollback	93,178
Motor Vehicle License Tax	59,976
Permissive Tax	55,002
Commercial Activity Tax	<u>17,319</u>
Total	<u><u>\$1,088,711</u></u>

Note 8 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours of accumulated, unused sick leave.

Note 9 - Contingencies

Litigation

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

Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2010.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

Governmental Activities	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<i>Capital Assets being Depreciated:</i>				
Buildings	9,075,756	0	0	9,075,756
Building Improvements	144,983	0	0	144,983
Furniture and Equipment	1,676,182	43,037	(118,851)	1,600,368
Vehicles	1,113,725	0	(173,570)	940,155
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	79,498,499	43,037	(292,421)	79,249,115
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,031,769)	(81,584)	0	(2,113,353)
Building Improvements	(77,608)	(5,302)	0	(82,910)
Furniture and Equipment	(1,505,748)	(41,730)	116,851	(1,430,627)
Vehicles	(851,896)	(26,450)	143,853	(734,493)
Infrastructure:				
Streets	(34,639,599)	(1,051,109)	0	(35,690,708)
Sidewalks	(8,509,882)	(257,875)	0	(8,767,757)
Curbs	(1,345,502)	(40,773)	0	(1,386,275)
Total Accumulated Depreciation	(48,962,004)	(1,504,823) *	260,704	(50,206,123)
Total Capital Assets being Depreciated, Net	30,536,495	(1,461,786)	(31,717)	29,042,992
Governmental Activities Capital Assets, Net	\$31,610,135	(\$1,461,786)	(\$31,717)	\$30,116,632

*Depreciation expense was charged to governmental activities as follows:

General Government	\$79,380
Security of Persons and Property	31,685
Public Health Services	5,204
Transportation	1,068,236
Community Development	300,506
Basic Utility Services	13,540
Leisure Time Activities	6,272
Total Depreciation Expense	\$1,504,823

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

	Balance 12/31/2009	Additions	Deductions	Balance 12/31/2010
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	334,697	201,925	(59,600)	477,022
Vehicles	326,468	0	(30,782)	295,686
Infrastructure	929,653	0	0	929,653
Total Capital Assets being Depreciated	12,159,592	201,925	(90,382)	12,271,135
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,962,706)	(63,898)	0	(2,026,604)
Building Improvements	(2,256,653)	(58,790)	0	(2,315,443)
Furniture and Equipment	(210,941)	(37,487)	59,600	(188,828)
Vehicles	(226,544)	(18,410)	30,782	(214,172)
Infrastructure	(613,572)	(18,592)	0	(632,164)
Total Accumulated Depreciation	(5,270,416)	(197,177)	90,382	(5,377,211)
Total Capital Assets being Depreciated, Net	6,889,176	4,748	0	6,893,924
Business Type Activities Capital Assets, Net	\$11,076,345	\$4,748	\$0	\$11,081,093

Note 11 – Interfund Transfers

The transfers from the general fund for \$40,000 to the garbage special revenue fund and for \$18,000 to the recreation special revenue funds was made to move unrestricted balances to support programs and projects accounted for in other funds.

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
Governmental Activities:			
Ohio Public Works Commission Loan	0.00	18,571	2019
Police and Fire Pension	4.25	377,328	2035

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

A schedule of changes in bonds and other long-term obligations of the City during 2010 follows:

	Amount Outstanding 12/31/2009	Additions	Deletions	Amount Outstanding 12/31/2010	Amounts Due In One Year
Business-Type Activities:					
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	\$414,560	\$0	(\$45,792)	\$368,768	\$48,415
Water Distribution	239,118	0	(23,849)	215,269	25,366
Lakes Project	1,124,078	0	(157,654)	966,424	168,485
Liberty Water	24,620	0	(2,667)	21,953	2,836
Total Ohio Water Development Authority Loans	1,802,376	0	(229,962)	1,572,414	245,102
Compensated Absences	179,355	18,862	(18,936)	179,281	6,516
<i>Total Business-Type Activities Obligations</i>	<u>\$1,981,731</u>	<u>\$18,862</u>	<u>(\$248,898)</u>	<u>\$1,751,695</u>	<u>\$251,618</u>
Governmental Activities Obligations:					
Ohio Public Works Commission Loan	85,949	0	(8,595)	77,354	8,595
Compensated Absences	570,066	4,915	(38,508)	536,473	66,672
Police and Fire Pension	265,537	0	(5,946)	259,591	6,203
<i>Total Governmental Activities Obligations</i>	<u>\$921,552</u>	<u>\$4,915</u>	<u>(\$53,049)</u>	<u>\$873,418</u>	<u>\$81,470</u>

OWDA loans will be paid from water and sewer enterprise fund user service charges. The OPWC loan payable will be paid with monies from the Capital Improvements capital projects fund. Compensated absences will be paid from the following funds: the general fund, the street construction maintenance and repair 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 has pledged future revenues, net of operating expenses, to repay OWDA loans in the water fund. The debt is payable solely from net revenues and are payable through 2017. Annual principal and interest payments on the debt issues required less than 100 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$1,628,190. Principal and interest paid for the current year and total net revenues were \$301,675 and \$808,677 respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the sewer fund. The debt is payable solely from net revenues and are payable through 2017. Annual principal and interest payments on the debt issues are expected to require less than 100 percent of net revenues in future years; however, in 2010, the principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the loans is \$292,856. Principal and interest paid for the current year and total net revenues were \$45,068 and (\$124,092) respectively.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

The City's overall legal debt margin was \$19,259,723 at December 31, 2010. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2010, are as follows:

Business-Type Activities:

	OWDA Loans	
	Principal	Interest
2011	\$245,102	\$101,641
2012	261,245	85,499
2013	278,456	68,288
2014	296,806	49,937
2015	316,392	30,352
2016-2017	174,413	12,915
Total	\$1,572,414	\$348,632

Governmental Activities:

	Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal
2011	\$6,203	\$10,969	\$8,595
2012	6,474	10,699	8,595
2013	6,759	10,414	8,595
2014	7,057	10,116	8,595
2015	7,370	9,803	8,595
2016-2020	42,005	43,860	34,379
2021-2025	51,544	34,321	0
2026-2030	61,517	24,348	0
2031-2035	70,662	15,202	0
Total	\$259,591	\$169,732	\$77,354

Note 13 – Notes Payable

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

	Balance 12/31/09	Additions	Reductions	Balance 12/31/10
Justice Center	\$2,657,808	\$2,657,808	\$2,657,808	\$2,657,808
Street Widening Project	1,646,807	1,646,807	1,646,807	1,646,807
Total	\$4,304,615	\$4,304,615	\$4,304,615	\$4,304,615

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

On July 23, 2010, the City issued \$4,304,615 in various purpose notes to retire the previous loans outstanding for the justice center and street widening project. The interest rate on the notes are 3 percent and they mature on July 22, 2011.

Note 14 - Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the City contracted with Love Insurance, Incorporated for various types of insurance as follows:

Type	Coverage
Commercial Liability	\$1,000,000/\$3,000,000
Public Officials	1,000,000/3,000,000
Law Enforcement	1,000,000/3,000,000
Automobile	1,000,000
Automobile Physical Damage	Actual Cash Value
Real and Personal Property	21,261,433
Inland Marine	1,212,484
Business Electronic Equipment	133,369
Commercial Crime	10,000
Bonds - Employees and Officials	10,000

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

Employee Insurance Benefits

The City has elected to provide vision, dental, prescription drug, and hospital/medical benefits to its employees through a self insured program. The maintenance of these benefits is accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$45,000 per individual and \$1,400,000 for the City as a whole. Incurred but not reported claims of \$50,458 have been accrued as a liability based on a review of January, 2010 billings provided by the City Auditor's Office.

The claims liability of \$50,458 reported in the internal service fund at December 31, 2010 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 2009 and 2010 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2009	\$91,597	\$1,295,195	\$1,273,904	\$112,888
2010	112,888	1,095,434	1,157,864	50,458

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

Workers' Compensation

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

Note 15 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contributions to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The City's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contributions rates are actuarially determined.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2010, 2009 and 2008 were \$204,792, \$186,942 and \$159,239 respectively. For 2010, 90.42 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. There were no contributions to the member-directed plan for 2010.

Ohio Police and Fire Pension Fund

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

Funding Policy – The Ohio Revised Code requires plan members to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24.0 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent for covered payroll for firefighters. The City's contributions to OP&F for police and firefighters were \$114,642 and \$144,186 for the year ended December 31, 2010, \$112,667 and \$134,041 for the year ended December 31, 2009, and \$111,120 and \$137,788 for the year ended December 31, 2008, respectively. For 2010, 68.79 percent for police and 69.90 percent for firefighters has been contributed with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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, 2010, the unfunded liability of the City was \$259,591 payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

Note 16 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans. The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The portion of employer contributions allocated to healthcare for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008 were \$116,750, \$135,174 and \$159,239 respectively. For 2010, 90.42 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$60,693 and \$56,421 for the year ended December 31, 2010, \$59,647 and \$52,451 for the year ended December 31, 2009, and \$58,775 and \$53,917 for the year ended December 31, 2008. For 2010, 68.79 percent has been contributed for police and 69.90 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

Note 17 - Jointly Governed Organizations

Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is committed to fostering cooperative regional efforts in the planning, programming, and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the members. In 2010, the City contributed \$3,816 to the Eastgate Development and Transportation Agency. For more information contact John R. Getchey, executive director, at 100 Federal Plaza East, Youngstown, Ohio 44503.

Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 2010, the City contributed \$4,313 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

Note 18 – Fiscal Emergency

The Auditor of State's office placed the City in fiscal emergency on August 8, 2001 in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the city mayor, the president of city council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria.

In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The City adopted its initial financial recovery plan on February 25, 2002. This plan was subsequently updated on December 21, 2010.

A city is placed into fiscal emergency when any one of six conditions is present. For the City of Girard, two of the six conditions were present at the date of the Auditor of State's determination. The conditions present in the City included a default on debt obligations and deficit fund balances. Under Section 118.03(A)(1) of the Revised Code, a default on any debt obligation for more than thirty days is a fiscal emergency condition. As of July 31, 2001, the determination date, the City had not made its semi-annual payments on two Ohio Water Development Loans. The loan payments totaled \$342,564. Under Section 118.03(A)(5) of the Revised code, the aggregate sum of all deficit funds at the end of the preceding fiscal year, less any transferable balance in the general fund and in any special revenue fund that exceed one-sixth of the general fund budget and the receipts of the deficit funds is a fiscal emergency condition. As of December 31, 2000, the City had deficit fund balances in the following funds: general fund, recreation fund, COPS fund, sewer rental fund, agency reimbursement fund, and the capital improvement reimbursement fund. The Auditor of State's calculation determined the total unprovided portion of aggregate deficit funds was \$390,510 for the year ended December 31, 2001.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2010

During the past 5 years and continuing into 2011, the City has taken steps to regain financial stability. As of December 31, 2010, all fund deficits that placed the City into fiscal emergency have been eliminated. In addition, the City was able to make all required debt payments during 2010. The City is negotiating contracts for 5 to 7 additional gas well drillings within the City limits. Based on prior drillings, this could generate an additional \$50,000 annually for 2011 and beyond. The City has deposited interest earned from the Lakes/Dam fund into the general fund and any inheritance tax revenue received will be used to reduce the deficit fund amounts. Accumulated interest for 2005 was \$135,000 and \$5,000 each year thereafter. The City passed a fire levy during 2009 and plans to renew the levy in the future. Due to the new construction at V&M Steel the City is anticipating receiving additional income tax receipts of \$1,000,000 in 2011 and \$1,200,000 in 2012. After 2012 the City is expecting to receive \$250,000 in repetitive income tax revenue due to more employees hired at V&M Steel. The City is anticipating additional income tax revenue in the amount of \$50,000 each successive year due to additional businesses coming to the area as a result of V&M Steel's large addition. The City received an additional \$325,000 in revenue from the municipal court in 2010.

CITY OF GIRARD
TRUMBULL COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

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-08-2BT-1 A-F-09-2BT-1 A-F-10-2BT-1	14.228	\$239,607 47,346 160 <hr/> 287,113
Neighborhood Revitalization Program	B-Z-08-1CS-1	14.218	286,657
Community Housing Improvement Program	A-C-07-127-1 A-C-08-127-1	14.228	384 9,267 <hr/> 9,651
Total Community Development Block Grant			<hr/> 583,421
HOME Investment Partnerships Program Community Housing Improvement Program	A-C-07-127-2	14.239	<hr/> 15,223
Total U.S. Department of Housing and Urban Development			<hr/> 598,644
<u>U.S. DEPARTMENT OF JUSTICE</u>			
ARRA Community Oriented Policing Services (COPS Hiring Recovery Program)	2009-RK-WX-0693	16.710	<hr/> 56,691
Total			<hr/> \$655,335

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

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

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

The City has a revolving loan fund (RLF) program to provide low-interest loans to lend money to businesses for job creation. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2010 is as follows:

Loans made	0
Loan principal repaid	20,613
Ending loans receivable balance as of December 31, 2010	<u>\$62,723</u>
Cash balance on hand in the revolving loan fund as of December 31, 2010	\$80,280
Administrative costs expended during 2010	1,467

The table above reports gross loans receivable. Of the loans receivable as of December 31, 2010, the City estimates \$8,564 to be uncollectible.

NOTE C- MATCHING REQUIREMENTS

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

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Dave Yost • Auditor of State

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

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

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, (the City) as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 18, 2011, wherein we noted the City was placed in fiscal emergency by the State of Ohio pursuant to Ohio Revised Code Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B). A fiscal emergency commission was appointed to oversee the financial affairs of the City and, as required by Ohio Revised Code Section 118.05(G), the Auditor of State served as the City's financial supervisor. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the City because the Auditor of State may assume broad management powers, duties, and functions under Ohio Revised Code §118.04. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 118.05 (G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

In addition, we qualified our report on the water and sewer revenue reported within the business-type activities and the Water Fund and Sewer Fund because there was a lack of sufficient competent evidential matter relating to operating revenue reported in the business-type activities, and the Water Fund and Sewer Fund for the year ended December 31, 2010. In addition, as described in Note 18 to the financial statements, the City has been declared to be in fiscal emergency and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. This condition raises substantial doubt about the City's ability to continue as a going concern. Except as discussed in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-01, 2010-03, and 2010-04 described in the accompanying schedule of findings to be *material* weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-01 and 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 18, 2011.

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



Dave Yost
Auditor of State

October 18, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Honorable Mayor and City Council:

Compliance

We have audited the compliance of the City of Girard, Trumbull County, (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Girard complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2010-05.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2010-05 to be a material weakness.

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated October 18, 2011.

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



Dave Yost
Auditor of State

October 18, 2011

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): CDBG Formula/CHIP CDBG-NSP Grant	CFDA#14.228 CFDA # 14.218
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

1. FINANCIAL RECOVERY PLAN

<i>Finding Number</i>	2010-01
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NONCOMPLIANCE AND MATERIAL WEAKNESS

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

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

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

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

The Auditor of State's office placed the City in fiscal emergency on August 8, 2001 in accordance with Section 118.03 of the Ohio Revised Code. The Financial Planning and Supervision Commission have requested that the City update their financial plan annually and prepare a five year financial forecast. The existing plan was revised and submitted to the Financial and Supervision Commission on December 21, 2010. The City has not followed through on several actions detailed in this plan.

1. FINANCIAL RECOVERY PLAN - (Continued)

<i>Finding Number</i>	<i>2010-01 – (Continued)</i>
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Some of the failures are listed below:

- The City of Girard's Finance Department failed to reconcile the books to the banks by the 12th day of the following month. Unreconciled differences existed throughout the year.
- The City failed to generate expected revenue from gas well drillings - \$50,000 annually.
- To eliminate deficit fund balances – As of 12/31/10 the General fund balance was (\$17,565) and the Water Revenue fund balance was (\$64,785).

The failure of the City to follow through on the agreed actions in their revised plan has hindered the City's recovery from fiscal emergency status.

We recommend the City develop controls that will provide assurance that City officials will follow both the revised plan and the five year financial forecast.

2. CERTIFICATION OF EXPENDITURES

<i>Finding Number</i>	<i>2010-02</i>
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NONCOMPLIANCE

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

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

A. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certificate ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

2. CERTIFICATION OF EXPENDITURES - (Continued)

Finding Number	2010-02 – (Continued)
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B. Blanket Certificate – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any particular line item appropriation.

C. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certificate is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifteen of sixty one nonfederal expenditures (25%) and thirty one out of thirty seven (84%) of the Community Development Block Grant federal program expenditures tested for fiscal year 2010, were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence the City followed the aforementioned exceptions. Failure to properly certify the availability of the funds can result in overspending funds and negative cash fund balances.

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

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

3. WATER AND SEWER BILLINGS AND COLLECTIONS

Finding Number	2010-03
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MATERIAL WEAKNESS

As a cost savings measure the City administration made the decision to eliminate all water department meter reader positions in December 2001. As a result, the following weaknesses were noted in the water and sewer billing and collection cycle of the City.

1. The responsibility of reading and reporting usage is the responsibility of the utility customer not a utility department employee.
2. If the customer fails to report their usage as required, the utility department would estimate their bill.

3. WATER AND SEWER BILLINGS AND COLLECTIONS - (Continued)

<i>Finding Number</i>	<i>2010-03 – (Continued)</i>
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As a compensating control beginning in the summer of 2008, the City obtained the services of local college students to read customers' meters two times each summer. For 2010, this resulted in approximately only 50% of all meters being read. In 2010, the City's water department had charges for services revenue of \$3,003,333 and accounts receivable of \$604,663 as of 12/31/10. Additionally, the City's sewer fund had charges for services revenue of \$1,657,870 and accounts receivable of \$303,277 as of 12/31/10.

As a result of these weaknesses, we were unable to obtain reasonable assurance with regards to the accuracy, completeness, and existence of the City's utility departments charges for services and accounts receivable.

We recommend the City establish more reliable procedures which would enable them to accurately bill customers on an ongoing basis. The procedures may include using increased technology such as electronic meter reading technology.

4. BANK RECONCILIATIONS

<i>Finding Number</i>	<i>2010-04</i>
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MATERIAL WEAKNESS

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. This includes ensuring that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious, as well as ensuring that all account balances and transactions that should be included in the financial records are included. To achieve these assertions, management should consider the following internal controls:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed;
- Ensuring adequate security of assets and records;
- Planning for adequate segregation of duties or compensating controls;
- Verifying the existence and valuation of assets and periodically reconcile them to the accounting records;
- Performing analytical procedures to determine the reasonableness of financial data; and
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

4. BANK RECONCILIATIONS - (Continued)

<i>Finding Number</i>	<i>2010-04 – (Continued)</i>
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During 2010 the City closed out its books each month, however, they did not properly reconcile their fund balances to their bank balances. An unreconciled balance existed throughout 2010 which was not resolved by year end. Because the City was not properly reconciled, we allowed additional time for the City to properly reconcile their fund balances to the bank balances.

The City hired an outside individual to aid them in getting their accounting system reconciled with their bank balances. The final reconciliation noted numerous errors in the City's accounting system throughout 2010, including bank deposits and bank fees not posted to the system, voided checks in the system that had previously cleared the bank, and inaccurate outstanding check lists which did not include all checks that had been processed. As a result of these errors, the City's system fund balances were overstated, when compared to their bank balances in 2010 by \$22,702.

The following fund balance audit adjustments were required to reconcile the accounting system to the bank balances.

100 - General Fund	\$(17,929)
110 – Muni Court	(638)
201 – Street Construction	(3,016)
214 - Recreation	(118)
235 – CHIP/CHIS	2,847
601 – Water Revenue	4,103
620 – Sewer Rental	(6,569)
640 - Cemetery	110
212 – Home Health Nursing	(201)
216 – Rental Inspection	(281)
220 – Trash Haulers	(791)

All of the proposed adjustments were posted to the City's accounting system and to the audited financial statements.

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

We recommend the City take steps to ensure all accounts are reconciled on a monthly basis and any future unreconciled variances are investigated and corrected in a timely manner. The City should additionally take steps to alleviate or adjust outstanding reconciling items after being fully investigated and approved by City Council. As a monitoring control, we recommend the monthly bank reconciliation be reviewed and evidenced as approved by an individual with appropriate fiscal authority.

3. FINDINGS FOR FEDERAL AWARDS

1. CDBG GRANT CASH MANAGEMENT 15 DAY RULE

Finding Number	2010-05
CFDA Title and Number	Community Development Block Grants/ State's Program14.228
Federal Award Number / Year	AF / 2008 and 2009
Federal Agency	U.S, Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

NONCOMPLIANCE/ MATERIAL WEAKNESS

24 C.F.R. Section 85.21 states, in part, when funds are advanced, recipients must have procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

OHCP Financial Management Rules and Regulations, Section (A)(3)(f) states that grantees must develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds.

Contrary to the requirements listed above, the City of Girard did not request receipts during 2010 to be based on actual expenditures paid within 15 days of the collection of the requested funds. Our tests documented 100% of the draw downs were not expended within 15 days and excess cash balances ranged from \$262,628 to \$6,634 during fiscal year 2010. The City Auditor and CT Consultants (Administrator of the City's CDBG program activities), should develop policies and procedures to ensure that the City complies with this requirement. These procedures should ensure that draw down requests are only filed for the exact amount needed for approved CDBG expenditures and that checks are issued to the appropriate parties within 15 days of the collection of the requested funds.

We recommend the City closely monitor its federal grant cash management activities in order to ensure cash draw downs are limited to amounts which meet immediate cash needs only. In order to ensure cash draw downs are limited to amounts which meet immediate cash needs only.

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

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**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Financial Recovery Plan-Material Noncompliance	No	Partially Corrected. Client revised the Financial Recovery Plan on 12/21/10. Repeated at Finding 2010-01
2009-002	Water and Sewer Billings and Collections-Material Weakness	No	Not Corrected. Repeated as Finding 2010-03
2009-003	Bank Reconciliation-Material Weakness	No	Not Corrected. Repeated as Finding 2010-04
2009-004	Certification of Expenditures-Material Noncompliance	No	Not Corrected. Repeated as Finding-2010-02

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**CITY OF GIRARD
TRUMBULL COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
December 31, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-05	To monitor the federal grant cash management activities in order to ensure cash draw downs are limited to amounts which meet immediate cash needs only.	12/31/11	Sam Zirafi, City Auditor

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Dave Yost • 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
DECEMBER 6, 2011**