



Mary Taylor, CPA
Auditor of State

**CITY OF GIRARD
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to Statement of Activities.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual:	
General Fund	20
Fire Levy	21
Statement of Fund Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Assets – Fiduciary Funds.....	25
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	26
Notes to the Basic Financial Statements	27
Schedule of Federal Awards Expenditures.....	53
Notes to the Schedule of Federal Awards Expenditures	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	57
Schedule of Findings.....	59
Schedule of Prior Audit Findings	65

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Mary Taylor, CPA

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, 2008, 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, 2008, 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 existence 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, 2008.

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, 2008, 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 Fire Levy Funds, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General, and Fire Levy Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 17 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 17. 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 June 4, 2010, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We did not audit and do not express an opinion on this information. However, we have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information.

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



Mary Taylor, CPA
Auditor of State

June 4, 2010

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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, 2008. 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 2008 are as follows:

- In total net assets decreased by \$1,330,984. Net assets of governmental activities decreased by \$1,349,373, which represents a 4.11 percent decrease from 2007. Net assets of business-type activities increased \$18,389, which represents a 0.19 percent increase from 2007.
- All revenues totaled \$14,148,694. General revenues accounted for \$5,357,888 or 37.87 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$8,790,806 or 62.13 percent of all revenues.
- Total assets of governmental activities decreased by \$1,399,132, or 3.49 percent from 2007. Total assets of business-type activities decreased by \$125,111.
- The City had \$10,814,850 in expenses related to governmental activities; only \$4,202,073 of these expenses were offset by program specific charges for services and grants and contributions. Governmental activities general revenues equaled \$5,357,888 in 2008, of which \$1,278,920 was property tax monies, \$3,395,840 was income tax monies and the remaining \$683,128 was generated from grants and entitlements, interest and miscellaneous revenues.

Using this Annual Financial Report

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

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Reporting on the City of Girard as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

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

Governmental Activities – Most of the City's programs and services are reported here including general government, security of persons and property, public health 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 fire levy special revenue 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.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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

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

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 2008 as they compare to 2007.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and Other Assets	\$5,513,956	\$5,522,118	\$1,179,914	\$1,142,602	\$6,693,870	\$6,664,720
Capital Assets, Net	33,128,424	34,519,385	11,234,992	11,397,415	44,363,416	45,916,800
<i>Total Assets</i>	<u>\$38,642,380</u>	<u>\$40,041,503</u>	<u>\$12,414,906</u>	<u>\$12,540,017</u>	<u>\$51,057,286</u>	<u>\$52,581,520</u>

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Liabilities						
Current Liabilities	\$1,844,869	\$1,586,658	\$279,480	\$226,404	\$2,124,349	\$1,813,062
Long-term Liabilities						
Due within one Year	397,960	368,738	220,967	234,767	618,927	603,505
Due in More than one Year	4,895,792	5,232,975	1,926,221	2,108,997	6,822,013	7,341,972
<i>Total Liabilities</i>	<u>7,138,621</u>	<u>7,188,371</u>	<u>2,426,668</u>	<u>2,570,168</u>	<u>9,565,289</u>	<u>9,758,539</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	28,642,369	29,734,115	9,216,857	9,176,842	37,859,226	38,910,957
Restricted for:						
Capital Projects	257,251	697,271	0	0	257,251	697,271
Debt Service	254,161	320,140	0	0	254,161	320,140
State Highway Maintenance	17,656	25,595	0	0	17,656	25,595
Street Resurfacing and Traffic Lights	32,474	62,813	0	0	32,474	62,813
Garbage Collection	101,254	187,188	0	0	101,254	187,188
Other Purposes	1,208,550	930,533	0	0	1,208,550	930,533
Unrestricted (Deficit)	990,044	895,477	771,381	793,007	1,761,425	1,688,484
<i>Total Net Assets</i>	<u>\$31,503,759</u>	<u>\$32,853,132</u>	<u>\$9,988,238</u>	<u>\$9,969,849</u>	<u>\$41,491,997</u>	<u>\$42,822,981</u>

The total net assets of the City, including both governmental and business-type activities, are \$41,491,997, which was a decrease of \$1,330,984 from last year. 91.24 percent of the City's net assets are investments in capital assets, such as machinery and equipment, buildings, infrastructure, and vehicles. Debt issued to acquire assets in the governmental-type activities are paid for from income tax and licensing fees. Long-term liabilities for the City were reduced by \$504,537 during 2008. In the business-type activities, user fees are the primary revenue source for the repayment of debt.

The decrease in net assets was a result of many factors, primarily reductions in income taxes receivable, charges for services, capital grants and all other grants and entitlements. The City also had a large increase in general government expenses during 2008. The deficit change in net assets was partially offset by a decrease in business-type activity expenses in the City's Sewer operations.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 shows the changes in net assets for 2008 and 2007.

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Program Revenues						
Charges for Services and Assessments	\$1,484,954	\$1,557,674	\$4,588,733	\$4,899,781	\$6,073,687	\$6,457,455
Operating Grants and Contributions	2,437,697	1,559,513	0	0	2,437,697	1,559,513
Capital Grants and Contributions	279,422	352,482	0	0	279,422	352,482
<i>Total Program Revenues</i>	<u>4,202,073</u>	<u>3,469,669</u>	<u>4,588,733</u>	<u>4,899,781</u>	<u>8,790,806</u>	<u>8,369,450</u>
General Revenues						
Property Taxes	1,278,920	1,058,797	0	0	1,278,920	1,058,797
Municipal Income Tax	3,395,840	3,429,592	0	0	3,395,840	3,429,592
Grants and Entitlements not Restricted to Specific Programs	392,680	467,177	0	0	392,680	467,177
Interest	84,497	72,401	0	0	84,497	72,401
Miscellaneous	205,951	411,927	0	0	205,951	411,927
<i>Total General Revenues</i>	<u>5,357,888</u>	<u>5,439,894</u>	<u>0</u>	<u>0</u>	<u>5,357,888</u>	<u>5,439,894</u>
<i>Total Revenues</i>	<u>9,559,961</u>	<u>8,909,563</u>	<u>4,588,733</u>	<u>4,899,781</u>	<u>14,148,694</u>	<u>13,809,344</u>
Program Expenses						
General Government	3,733,472	2,387,664	0	0	3,733,472	2,387,664
Security of Persons and Property	2,909,824	3,067,289	0	0	2,909,824	3,067,289
Public Health Services	156,717	630,108	0	0	156,717	630,108
Transportation	2,263,643	2,218,389	0	0	2,263,643	2,218,389
Community Development	771,940	1,313,444	0	0	771,940	1,313,444
Basic Utility Services	471,884	479,762	0	0	471,884	479,762
Leisure Time Activities	278,614	58,911	0	0	278,614	58,911
Interest and Fiscal Charges	228,756	242,478	0	0	228,756	242,478
Water	0	0	3,029,621	2,975,253	3,029,621	2,975,253
Sewer	0	0	1,635,207	1,857,796	1,635,207	1,857,796
<i>Total Program Expenses</i>	<u>10,814,850</u>	<u>10,398,045</u>	<u>4,664,828</u>	<u>4,833,049</u>	<u>15,479,678</u>	<u>15,231,094</u>
Transfers	(94,484)	0	94,484	0	0	0
<i>Change in Net Assets</i>	<u>(1,349,373)</u>	<u>(1,488,482)</u>	<u>18,389</u>	<u>66,732</u>	<u>(1,330,984)</u>	<u>(1,421,750)</u>
Net Assets Beginning of the Year	32,853,132	34,341,614	9,969,849	9,903,117	42,822,981	44,244,731
Net Assets End of the Year	<u>\$31,503,759</u>	<u>\$32,853,132</u>	<u>\$9,988,238</u>	<u>\$9,969,849</u>	<u>\$41,491,997</u>	<u>\$42,822,981</u>

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The income tax rate is 2.0 percent and generated \$3,395,840 in revenue for 2008, accounting for approximately 35.52 percent of governmental activities revenue. The revenue collected from the income tax, less funds necessary to pay the administrative fees for RITA and to cover refunds, were receipted into the following funds: 84.6 percent went to the general fund (January), 83.6 percent (February – September), and 88.5 percent (October – December), 1.0 percent went into the recreation fund (January – September), and 3.5 percent (October – December), 12 percent (January), 15.4 percent (February – September) and 8.0 percent (October – December), went into the general obligation bond retirement fund, and 2.4 percent (January) went into the capital improvement safety fund. Unrestricted State shared revenues and local government funds for 2008 amounted to \$392,680 and represented approximately 4.15 percent of governmental activities revenue.

Charges for services decreased \$72,720 in the governmental activities primarily as a result of the City eliminating the use of the automatic traffic camera enforcement and reduced tipping fees from the landfill.

The increase in governmental activities operating grants and contributions of \$878,184 was due to the City receiving additional grant monies through the Community Development Block Grant and the Community Housing Program Grant.

The decrease in governmental activities capital grants and contributions of \$73,060 was a result of the grant received from the Federal Emergency Management Agency being completed.

Property taxes increased \$220,123 due to revaluation of property values by the County.

Actual income tax collections for 2008 were .98 percent lower than 2007. This decrease is a direct result of the poor economic conditions currently being experienced.

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 accounted for 34.52 percent of governmental expenses. There was an increase in this program during 2008. 26.91 percent of governmental activities expenses are allocated to the police and fire departments. The police department employs fifteen officers and three full-time dispatchers. The fire department employs thirteen full-time positions. The City of Girard passed a property tax levy to help support its fire department; this allowed for moving certain expenses from the general fund.

The Girard Municipal Court is accounted for within the City of Girard's books. Approximately 7.5 percent of the governmental activities expenses can be attributed to the operation of the court. 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 City's transportation department accounted for 20.93 percent of the expenses in the governmental activities.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Business-Type Activities

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated revenues of \$3,025,153 from water and \$1,563,580 from the sewer plant facility. Water and sewer expenses for 2008 amounted to \$3,029,621 and \$1,635,207, respectively. For 2008, 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 of \$351,834. The fire levy special revenue fund concluded the year with a positive fund balance of \$24,676. The 3-mill fire levy continues to generate approximately \$375,000 annually. 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 2008, 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 \$4,588,733 and total operating expenses of \$4,187,192. 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 2008, final estimated revenues for the general fund were \$4,626,615 and actual revenues received were \$4,586,880 or \$39,735 less than final estimated revenues due to income taxes not being collected as anticipated. City Council's final appropriations were \$4,498,432, which were exceeded by actual expenditures by \$54,142. Management is committed to monitoring this deficit spending situation to ensure it does not happen in the future.

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 2008, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation, were \$33,128,424, which was a \$1,390,961 decrease from the prior year. The main reason for this decrease was an additional year of accumulated depreciation being taken.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Total capital assets for the business-type activities, net of accumulated depreciation, were \$11,234,992 or a decrease from the prior year of \$162,423. This decrease was also the result of an additional year of accumulated depreciation being taken. The City made purchases of furniture and equipment and vehicles in 2008. 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	
	2008	2007	2008	2007	2008	2007
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	7,199,595	7,287,827	6,472,179	6,594,943	13,671,774	13,882,770
Furniture and Equipment	252,123	294,805	120,030	117,160	372,153	411,965
Vehicles	260,439	170,729	120,939	144,875	381,378	315,604
Infrastructure						
Streets	18,966,963	20,018,072	0	0	18,966,963	20,018,072
Sidewalks	4,641,754	4,899,629	0	0	4,641,754	4,899,629
Curbs	733,910	774,683	0	0	733,910	774,683
Water and Sewer Lines	0	0	334,675	353,268	334,675	353,268
Total Capital Assets	\$33,128,424	\$34,519,385	\$11,234,992	\$11,397,415	\$44,363,416	\$45,916,800

Long-term Obligations

The City had \$7,440,940 in outstanding long-term obligations at the end of the year. The long-term obligations include commercial loans, OPWC and OWDA loans, police and fire pensions and compensated absences.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Loans Payable	\$4,395,809	\$4,686,430	\$0	\$0	\$4,395,809	\$4,686,430
OPWC Loans	90,246	98,840	0	0	90,246	98,840
OWDA Loans	0	0	2,018,135	2,220,573	2,018,135	2,220,573
Compensated Absences	536,459	539,738	129,053	123,191	665,512	662,929
Police and Fire Pension	271,238	276,705	0	0	271,238	276,705
Total	\$5,293,752	\$5,601,713	\$2,147,188	\$2,343,764	\$7,440,940	\$7,945,477

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

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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.

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 increase in compensated absences was the result of a higher balance of sick and vacation time held by the City's full-time employees.

The City of Girard's overall legal debt margin was \$20,281,859 on December 31, 2008. 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 2008, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated, however the City's water department operations are a cause of concern for the City.

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.

Basic Financial Statements

City of Girard, Ohio*Statement of Net Assets**December 31, 2008*

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$910,923	\$259,782	\$1,170,705
Accrued Interest Receivable	776	0	776
Accounts Receivable	57,173	1,233,917	1,291,090
Internal Balances	337,148	(337,148)	0
Intergovernmental Receivable	1,241,225	0	1,241,225
Property Taxes Receivable	1,438,230	0	1,438,230
Income Taxes Receivable	1,485,010	0	1,485,010
Special Assessments Receivable	22,061	647	22,708
Prepaid Items	21,410	22,716	44,126
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	32,054,784	7,047,823	39,102,607
<i>Total Assets</i>	<u>38,642,380</u>	<u>12,414,906</u>	<u>51,057,286</u>
Liabilities			
Accounts Payable	43,251	90,356	133,607
Accrued Wages	118,098	37,458	155,556
Contracts Payable	29,278	0	29,278
Intergovernmental Payable	341,412	76,576	417,988
Accrued Interest Payable	956	75,090	76,046
Claims Payable	91,597	0	91,597
Deferred Revenue	1,220,277	0	1,220,277
Long-Term Liabilities:			
Due Within One Year	397,960	220,967	618,927
Due In More Than One Year	4,895,792	1,926,221	6,822,013
<i>Total Liabilities</i>	<u>7,138,621</u>	<u>2,426,668</u>	<u>9,565,289</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	28,642,369	9,216,857	37,859,226
Restricted for:			
Capital Projects	257,251	0	257,251
Debt Service	254,161	0	254,161
State Highway Maintenance	17,656	0	17,656
Street Resurfacing and Traffic Lights	32,474	0	32,474
Garbage Collection	101,254	0	101,254
Other Purposes	1,208,550	0	1,208,550
Unrestricted	990,044	771,381	1,761,425
<i>Total Net Assets</i>	<u>\$31,503,759</u>	<u>\$9,988,238</u>	<u>\$41,491,997</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$3,733,472	\$682,470	\$794,503	\$279,422
Security of Persons and Property	2,909,824	474,151	64,188	0
Public Health Services	156,717	105,955	8,601	0
Transportation	2,263,643	2,920	938,484	0
Community Development	771,940	208,254	516,988	0
Basic Utility Services	471,884	0	69,586	0
Leisure Time Activities	278,614	11,204	45,347	0
Interest and Fiscal Charges	228,756	0	0	0
<i>Total Governmental Activities</i>	<u>10,814,850</u>	<u>1,484,954</u>	<u>2,437,697</u>	<u>279,422</u>
Business-Type Activities:				
Water	3,029,621	3,025,153	0	0
Sewer	1,635,207	1,563,580	0	0
<i>Total Business-Type Activities</i>	<u>4,664,828</u>	<u>4,588,733</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$15,479,678</u>	<u>\$6,073,687</u>	<u>\$2,437,697</u>	<u>\$279,422</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Garbage
- Fire
- Police
- Cemetery

Income Taxes Levied for:

- General Purposes
- Debt Service
- Recreation
- Capital Projects

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

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
(\$1,977,077)	\$0	(\$1,977,077)
(2,371,485)	0	(2,371,485)
(42,161)	0	(42,161)
(1,322,239)	0	(1,322,239)
(46,698)	0	(46,698)
(402,298)	0	(402,298)
(222,063)	0	(222,063)
(228,756)	0	(228,756)
(6,612,777)	0	(6,612,777)
0	(4,468)	(4,468)
0	(71,627)	(71,627)
0	(76,095)	(76,095)
(6,612,777)	(76,095)	(6,688,872)
286,532	0	286,532
299,082	0	299,082
664,580	0	664,580
3,658	0	3,658
25,068	0	25,068
2,896,655	0	2,896,655
441,711	0	441,711
50,074	0	50,074
7,400	0	7,400
392,680	0	392,680
84,497	0	84,497
205,951	0	205,951
5,357,888	0	5,357,888
(94,484)	94,484	0
5,263,404	94,484	5,357,888
(1,349,373)	18,389	(1,330,984)
32,853,132	9,969,849	42,822,981
\$31,503,759	\$9,988,238	\$41,491,997

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2008

	General	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$0	\$26,350	\$884,573	\$910,923
Receivables:				
Property Taxes	335,697	403,317	699,216	1,438,230
Income Taxes	1,267,456	0	217,554	1,485,010
Accounts	25,257	0	31,916	57,173
Intergovernmental	204,530	25,290	1,011,405	1,241,225
Special Assessments	2,266	0	19,795	22,061
Accrued Interest	776	0	0	776
Interfund Receivable	319,948	0	0	319,948
Prepaid Items	15,035	0	6,375	21,410
<i>Total Assets</i>	<u>\$2,170,965</u>	<u>\$454,957</u>	<u>\$2,870,834</u>	<u>\$5,496,756</u>
Liabilities				
Accounts Payable	\$14,623	\$1,674	\$26,954	\$43,251
Contracts Payable	2,198	0	27,080	29,278
Accrued Wages	102,059	0	16,039	118,098
Intergovernmental Payable	197,664	0	143,748	341,412
Interfund Payable	0	0	1,063	1,063
Deferred Revenue	1,502,587	428,607	1,836,153	3,767,347
<i>Total Liabilities</i>	<u>1,819,131</u>	<u>430,281</u>	<u>2,051,037</u>	<u>4,300,449</u>
Fund Balances				
Reserved for Encumbrances	50,613	0	18,595	69,208
Reserved for Unclaimed Monies	26,970	0	0	26,970
Unreserved, Undesignated, Reported in:				
General Fund	274,251	0	0	274,251
Special Revenue Funds	0	24,676	451,103	475,779
Debt Service Fund	0	0	92,848	92,848
Capital Projects Funds	0	0	257,251	257,251
<i>Total Fund Balances</i>	<u>351,834</u>	<u>24,676</u>	<u>819,797</u>	<u>1,196,307</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,170,965</u>	<u>\$454,957</u>	<u>\$2,870,834</u>	<u>\$5,496,756</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2008*

Total Governmental Fund Balances	\$1,196,307
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	33,128,424
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	217,953
Income Taxes	1,183,614
Intergovernmental	1,123,442
Special Assessments	<u>22,061</u>
Total	2,547,070
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	(91,597)
Internal Balances	<u>18,263</u>
Total	(73,334)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(956)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds:	
Compensated Absences	(536,459)
Loans Payable	(4,395,809)
OPWC Loans Payable	(90,246)
Police and Fire Pension Loan	<u>(271,238)</u>
Total	<u>(5,293,752)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$31,503,759</u></u>

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$273,287	\$329,216	\$590,407	\$1,192,910
Municipal Income Taxes	2,815,666	0	485,284	3,300,950
Special Assessments	2,509	0	0	2,509
Charges for Services	0	0	56,284	56,284
Fees, Licenses and Permits	251,382	0	381,947	633,329
Fines and Forfeitures	569,504	0	214,647	784,151
Intergovernmental	374,766	47,109	2,352,843	2,774,718
Interest	76,478	0	8,019	84,497
Contributions and Donations	0	0	1,777	1,777
Other	183,293	0	22,658	205,951
<i>Total Revenues</i>	<u>4,546,885</u>	<u>376,325</u>	<u>4,113,866</u>	<u>9,037,076</u>
Expenditures				
Current:				
General Government	1,884,004	0	1,160,395	3,044,399
Security of Persons and Property	2,573,582	367,624	50,489	2,991,695
Public Health Services	22,469	0	131,247	153,716
Transportation	15,838	0	1,227,738	1,243,576
Community Development	0	0	464,984	464,984
Basic Utility Services	0	0	454,602	454,602
Leisure Time Activities	0	0	279,551	279,551
Capital Outlay	0	0	602,358	602,358
Debt Service:				
Principal Retirement	0	0	304,682	304,682
Interest and Fiscal Charges	0	0	228,775	228,775
<i>Total Expenditures</i>	<u>4,495,893</u>	<u>367,624</u>	<u>4,904,821</u>	<u>9,768,338</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>50,992</u>	<u>8,701</u>	<u>(790,955)</u>	<u>(731,262)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	250,144	250,144
Transfers Out	(107,000)	0	(237,628)	(344,628)
<i>Total Other Financing Sources (Uses)</i>	<u>(107,000)</u>	<u>0</u>	<u>12,516</u>	<u>(94,484)</u>
<i>Net Change in Fund Balances</i>	(56,008)	8,701	(778,439)	(825,746)
<i>Fund Balances Beginning of Year</i>	<u>407,842</u>	<u>15,975</u>	<u>1,598,236</u>	<u>2,022,053</u>
<i>Fund Balances End of Year</i>	<u>\$351,834</u>	<u>\$24,676</u>	<u>\$819,797</u>	<u>\$1,196,307</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, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$825,746)

*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	180,658
Depreciation	<u>(1,547,140)</u>

Total (1,366,482)

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. (24,479)

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

Property Taxes	86,010
Income Taxes	94,890
Intergovernmental	333,304
Special Assessments	<u>8,681</u>

Total 522,885

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. 304,682

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 19

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. 3,279

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	45,416
Internal Balances	<u>(8,947)</u>

Total 36,469

Change in Net Assets of Governmental Activities (\$1,349,373)

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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$275,427	\$275,427	\$273,287	(\$2,140)
Municipal Income Taxes	2,854,479	2,854,479	2,828,513	(25,966)
Special Assessments	2,509	2,509	2,509	0
Fees, Licenses and Permits	253,525	253,525	251,555	(1,970)
Fines and Forfeitures	571,707	571,707	567,265	(4,442)
Intergovernmental	397,563	397,563	394,474	(3,089)
Interest	77,166	77,166	76,566	(600)
Other	194,239	194,239	192,711	(1,528)
<i>Total Revenues</i>	<u>4,626,615</u>	<u>4,626,615</u>	<u>4,586,880</u>	<u>(39,735)</u>
Expenditures				
Current:				
General Government	1,857,418	1,876,203	1,932,529	(56,326)
Security of Persons and Property	2,513,436	2,537,456	2,565,365	(27,909)
Public Health Services	58,936	59,500	37,945	21,555
Transportation	23,588	23,810	16,735	7,075
Community Development	1,449	1,463	0	1,463
<i>Total Expenditures</i>	<u>4,454,827</u>	<u>4,498,432</u>	<u>4,552,574</u>	<u>(54,142)</u>
<i>Excess of Revenues Over Expenditures</i>	171,788	128,183	34,306	(93,877)
Other Financing Uses				
Transfers Out	(183,276)	(188,671)	(107,000)	81,671
<i>Net Change in Fund Balance</i>	(11,488)	(60,488)	(72,694)	(12,206)
<i>Fund Balance Beginning of Year</i>	331,783	331,783	331,783	0
Prior Year Encumbrances Appropriated	4,473	4,473	4,473	0
<i>Fund Balance End of Year</i>	<u>\$324,768</u>	<u>\$275,768</u>	<u>\$263,562</u>	<u>(\$12,206)</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$336,835	\$336,835	\$329,216	(\$7,619)
Intergovernmental	48,199	48,199	47,109	(1,090)
<i>Total Revenues</i>	385,034	385,034	376,325	(8,709)
Expenditures				
Current:				
Security of Persons and Property	371,880	371,880	367,624	4,256
<i>Net Change in Fund Balance</i>	13,154	13,154	8,701	(4,453)
<i>Fund Balance Beginning of Year</i>	15,975	15,975	15,975	0
<i>Fund Balance End of Year</i>	<u>\$29,129</u>	<u>\$29,129</u>	<u>\$24,676</u>	<u>(\$4,453)</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$259,782	\$259,782	\$0
Accounts Receivable	759,741	474,176	1,233,917	0
Special Assessments Receivable	186	461	647	0
Prepaid Items	9,466	13,250	22,716	0
Interfund Receivable	0	122,679	122,679	0
<i>Total Current Assets</i>	<u>769,393</u>	<u>870,348</u>	<u>1,639,741</u>	<u>0</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	2,037,310	5,010,513	7,047,823	0
<i>Total Noncurrent Assets</i>	<u>3,724,479</u>	<u>7,510,513</u>	<u>11,234,992</u>	<u>0</u>
<i>Total Assets</i>	<u>4,493,872</u>	<u>8,380,861</u>	<u>12,874,733</u>	<u>0</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	56,775	33,581	90,356	0
Accrued Wages	16,340	21,118	37,458	0
Intergovernmental Payable	21,247	55,329	76,576	0
Interfund Payable	441,564	0	441,564	0
Accrued Interest Payable	66,592	8,498	75,090	0
Compensated Absences Payable	4,992	216	5,208	0
OWDA Loans Payable	187,304	28,455	215,759	0
Claims Payable	0	0	0	91,597
<i>Total Current Liabilities</i>	<u>794,814</u>	<u>147,197</u>	<u>942,011</u>	<u>91,597</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	58,924	64,921	123,845	0
OWDA Loans Payable	1,530,010	272,366	1,802,376	0
<i>Total Long-Term Liabilities</i>	<u>1,588,934</u>	<u>337,287</u>	<u>1,926,221</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,383,748</u>	<u>484,484</u>	<u>2,868,232</u>	<u>91,597</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,007,165	7,209,692	9,216,857	0
Unrestricted (Deficit)	102,959	686,685	789,644	(91,597)
<i>Total Net Assets (Deficit)</i>	<u>\$2,110,124</u>	<u>\$7,896,377</u>	<u>10,006,501</u>	<u>(\$91,597)</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:

(18,263)

Net assets of business-type activities

\$9,988,238

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, 2008*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$3,024,967	\$1,562,421	\$4,587,388	\$1,102,789
Special Assessments	186	1,159	1,345	0
<i>Total Operating Revenues</i>	<u>3,025,153</u>	<u>1,563,580</u>	<u>4,588,733</u>	<u>1,102,789</u>
Operating Expenses				
Personal Services	803,257	803,010	1,606,267	0
Materials and Supplies	1,220,166	130,729	1,350,895	0
Contractual Services	491,920	481,333	973,253	137,458
Depreciation	46,104	143,408	189,512	0
Claims	0	0	0	919,915
Other	53,906	13,359	67,265	0
<i>Total Operating Expenses</i>	<u>2,615,353</u>	<u>1,571,839</u>	<u>4,187,192</u>	<u>1,057,373</u>
<i>Operating Income (Loss)</i>	<u>409,800</u>	<u>(8,259)</u>	<u>401,541</u>	<u>45,416</u>
Non-Operating Expenses				
Interest and Fiscal Charges	(416,270)	(68,141)	(484,411)	0
Loss on Disposal of Capital Assets	(2,172)	0	(2,172)	0
<i>Total Non-Operating Expenses</i>	<u>(418,442)</u>	<u>(68,141)</u>	<u>(486,583)</u>	<u>0</u>
<i>Income (Loss) before Transfers</i>	<u>(8,642)</u>	<u>(76,400)</u>	<u>(85,042)</u>	<u>45,416</u>
Transfers In	0	94,484	94,484	0
<i>Change in Net Assets</i>	<u>(8,642)</u>	<u>18,084</u>	<u>9,442</u>	<u>45,416</u>
<i>Net Assets (Deficit) Beginning of Year</i>	<u>2,118,766</u>	<u>7,878,293</u>		<u>(137,013)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$2,110,124</u>	<u>\$7,896,377</u>		<u>(\$91,597)</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.

8,947

Change in net assets of business-type activities

\$18,389

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Enterprise			Internal Service
	Water	Sewer	Total	
<i>Increase in Cash and Cash Equivalents</i>				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,794,719	\$1,552,365	\$4,347,084	\$0
Cash Received from Interfund Services Provided	0	0	0	1,102,789
Cash Payments to Employees for Services	(774,672)	(766,015)	(1,540,687)	0
Cash Payments for Goods and Services	(1,721,552)	(625,312)	(2,346,864)	(137,458)
Cash Payments for Claims	0	0	0	(965,331)
Other Cash Payments	(53,906)	(13,359)	(67,265)	0
<i>Net Cash Provided by Operating Activities</i>	<u>244,589</u>	<u>147,679</u>	<u>392,268</u>	<u>0</u>
Cash Flows from Noncapital Financing Activities				
Financing Activities				
Advances In	441,564	0	441,564	0
Advances Out	(86,197)	(122,679)	(208,876)	0
Transfers In	0	94,484	94,484	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>355,367</u>	<u>(28,195)</u>	<u>327,172</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	(2,279)	(26,982)	(29,261)	0
Principal Paid on OWDA Loans	(175,525)	(26,913)	(202,438)	0
Interest Paid on OWDA Loans	(422,152)	(68,901)	(491,053)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(599,956)</u>	<u>(122,796)</u>	<u>(722,752)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	0	(3,312)	(3,312)	0
<i>Cash and Cash Equivalents Beginning of Year</i>	0	263,094	263,094	0
<i>Cash and Cash Equivalents End of Year</i>	<u>\$0</u>	<u>\$259,782</u>	<u>\$259,782</u>	<u>\$0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$409,800	(\$8,259)	\$401,541	\$45,416
Adjustments:				
Depreciation	46,104	143,408	189,512	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(230,248)	(11,409)	(241,657)	0
Special Assessments Receivable	(186)	194	8	0
Prepaid Items	(9,466)	(13,250)	(22,716)	0
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	53,513	29,292	82,805	0
Accrued Wages	(512)	1,960	1,448	0
Claims Payable	0	0	0	(45,416)
Compensated Absences Payable	(8,959)	14,821	5,862	0
Intergovernmental Payable	(15,457)	(9,078)	(24,535)	0
<i>Total Adjustments</i>	<u>(165,211)</u>	<u>155,938</u>	<u>(9,273)</u>	<u>(45,416)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$244,589</u>	<u>\$147,679</u>	<u>\$392,268</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2008

	Private Purpose Trust	
	Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$3,805	\$0
Cash and Cash Equivalents in Segregated Accounts	0	31,126
<i>Total Assets</i>	3,805	\$31,126
Liabilities		
Undistributed Monies	0	\$31,126
Net Assets		
Held in Trust for Endowment	\$3,805	

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, 2008

	Private Purpose Trust
	Memorial
Additions	
Interest	\$891
Deductions	
Contractual Services	247
<i>Change in Net Assets</i>	644
<i>Net Assets Beginning of Year</i>	3,161
<i>Net Assets End of Year</i>	\$3,805

See accompanying notes to the basic financial statements

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

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 April 24, 2006. 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 2007 and beyond. See Note 17 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 16 to the basic financial statements.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

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.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

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.

Fire Levy Fund - The fire levy fund accounts for property taxes collected to provide and maintain fire equipment and for salaries of fire department personnel.

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, 2008

C. Measurement Focus

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

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

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

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

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

D. Basis of Accounting

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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

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

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

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, 2008, but which were levied to finance year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During 2008, investments were limited to nonnegotiable certificates of deposit reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amount to \$76,478 all of which is assigned from other City funds.

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

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

G. Inventory

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

H. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the 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 2008, 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, 2008

I. Interfund Balances

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

J. Compensated Absences

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

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.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. 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, 2008

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

N. Operating Revenues and Expenses

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

O. 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.

P. 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.

Q. 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.

R. 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, 2008

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 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any change to the City's financial statements.

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at December 31, 2008, include the following individual fund deficits:

	<u>Deficit Fund Balance</u>
<i>Special Revenue Fund:</i>	
Police Pension	\$25,242
<i>Internal Service Fund:</i>	
Hospitalization	91,597

The special revenue fund's deficit is 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.

B. Compliance

The following funds had original appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Ohio Revised Code.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

	Estimated Resources Plus Carryover <u>Balances (Deficits)</u>	<u>Appropriations</u>	<u>Excess</u>
<i>Special Revenue Fund:</i>			
Senior Levy	\$234,553	\$235,000	\$447
Fire Pension	\$43,174	\$66,000	\$22,826
<i>Internal Service Fund:</i>			
Ambulance/Hospitalization	1,100,000	1,300,000	200,000

The budgetary violations in the senior levy special revenue fund and the ambulance/hospitalization internal service fund were correct by year end.

The street construction maintenance and repair and fire pension special revenue funds had final appropriations in excess of estimated resources plus carryover balances in the amounts of \$20,818 and \$22,826, respectively, in violation of Section 5705.39, Ohio Revised Code.

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

	Final <u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<i>Special Revenue Funds:</i>			
State Highway	\$70,000	\$75,884	\$5,884
Street Permissive Tax	227,000	227,667	667
Recreation	50,585	52,314	1,729
Community Block Grant	74,000	120,603	46,603
Indigent Drivers	2,000	5,682	3,682
<i>Enterprise Fund:</i>			
Water	2,907,274	3,187,463	280,189

The City had a negative cash fund balance in the water enterprise fund of \$441,564 and in the state highway special revenue fund of \$1,063, indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10.

The City was placed in fiscal emergency as a result of deficit spending which resulted in deficit funds contrary to the provisions of Chapter 5705, Revised Code. These violations were cited extensively (repeatedly) in the reports leading up to the declaration of emergency. While in emergency, it is anticipated that these violations will continue until the City regains financial stability. Until that time, only new violations in funds that were not in deficit at the time of the emergency declaration will be cited.

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, 2008

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 fund and major special revenue fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

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

Net Change in Fund Balances

	General	Fire Levy
GAAP Basis	(\$56,008)	\$8,701
Net Adjustment for Revenue Accruals	39,995	0
Advances Out	(318,885)	0
Net Adjustment for Expenditures Accruals	318,590	1,674
Encumbrances	(56,386)	(1,674)
Budget Basis	(\$72,694)	\$8,701

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

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

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

1. United States Treasury 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 (STAROhio); 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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

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, \$744,874 of the City's bank balance of \$1,453,927 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.

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, 2008, 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.

A. Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

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. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The full tax rate for all City operations for the year ended December 31, 2008, was \$10.59 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Real Property	\$122,975,880
Tangible Personal Property	
Public Utility Property	3,761,600
General	3,594,144
Total Assessed Values	\$130,331,624

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, 2008 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 2008 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Taxes

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 84.6 percent went to the general fund (January), 83.6 percent (February – September), and 88.5 percent (October – December), 1.0 percent went into the recreation fund (January – September), and 3.5 percent (October – December), 12 percent (January), 15.4 percent (February – September) and 8.0 percent (October – December), went into the general obligation bond retirement fund, and 2.4 percent (January) went into the capital improvement safety fund.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
CHIS/CHIPS Grant	\$390,100
Community Block Grant	265,600
Gasoline and Municipal Cents per Gallon	236,154
Local Government	148,223
Homestead and Rollback	90,426
Estate Tax	35,339
Permissive Tax	59,511
Capital Projects Grant	8,172
Municipal Court Computer	4,700
Environmental Protection Grant	3,000
Total	<u><u>\$1,241,225</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

A. Litigation

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

B. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2008.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

Governmental Activities	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
<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	146,183	0	(1,200)	144,983
Furniture and Equipment	1,656,838	19,344	0	1,676,182
Vehicles	1,091,896	161,314	(179,145)	1,074,065
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	<u>79,458,526</u>	<u>180,658</u>	<u>(180,345)</u>	<u>79,458,839</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,866,756)	(82,506)	0	(1,949,262)
Building Improvements	(67,356)	(5,726)	1,200	(71,882)
Furniture and Equipment	(1,362,033)	(62,026)	0	(1,424,059)
Vehicles	(921,167)	(47,125)	154,666	(813,626)
Infrastructure:				
Streets	(32,537,381)	(1,051,109)	0	(33,588,490)
Sidewalks	(7,994,131)	(257,875)	0	(8,252,006)
Curbs	(1,263,957)	(40,773)	0	(1,304,730)
Total Accumulated Depreciation	<u>(46,012,781)</u>	<u>(1,547,140) *</u>	<u>155,866</u>	<u>(47,404,055)</u>
Total Capital Assets being Depreciated, Net	<u>33,445,745</u>	<u>(1,366,482)</u>	<u>(24,479)</u>	<u>32,054,784</u>
Governmental Activities Capital Assets, Net	<u>\$34,519,385</u>	<u>(\$1,366,482)</u>	<u>(\$24,479)</u>	<u>\$33,128,424</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
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	297,513	29,261	(16,955)	309,819
Vehicles	388,254	0	(61,786)	326,468
Infrastructure	929,653	0	0	929,653
Total Capital Assets being Depreciated	12,184,194	29,261	(78,741)	12,134,714
<i>Less Accumulated Depreciation:</i>				
Buildings	(1,834,910)	(63,898)	0	(1,898,808)
Building Improvements	(2,138,921)	(58,866)	0	(2,197,787)
Furniture and Equipment	(180,353)	(26,391)	16,955	(189,789)
Vehicles	(243,379)	(21,764)	59,614	(205,529)
Infrastructure	(576,385)	(18,593)	0	(594,978)
Total Accumulated Depreciation	(4,973,948)	(189,512)	76,569	(5,086,891)
Total Capital Assets being Depreciated, Net	7,210,246	(160,251)	(2,172)	7,047,823
Business Type Activities Capital Assets, Net	\$11,397,415	(\$160,251)	(\$2,172)	\$11,234,992

*Depreciation expense was charged to governmental activities as follows:

General Government	\$102,868
Security of Persons and Property	52,383
Public Health Services	4,383
Transportation	1,054,970
Community Development	306,956
Basic Utility Services	14,374
Leisure Time Activities	11,206
Total Depreciation Expense	<u>\$1,547,140</u>

Note 11 - Interfund Balances and Transfers

A. Interfund Balances

The general fund advanced \$1,063 and \$318,885 to the state highway special revenue fund and the water enterprise fund, respectively, to cover negative net assets. The sewer enterprise fund advanced the water enterprise fund an additional \$122,679 to cover negative net assets. The advances will be repaid within one year.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

B. Interfund Transfers

The City made the following transfers during 2008:

Transfers To	Transfers From		
	General	FEMA	Totals
Special Revenue Funds:			
Street Construction, Maintenance and Repair	\$3,000	\$30,000	\$33,000
Street Permissive Tax	104,000	0	104,000
Capital Projects Fund:			
Capital Projects	0	113,144	113,144
Enterprise Fund:			
Sewer	0	94,484	94,484
Totals	\$107,000	\$237,628	\$344,628

The general fund made transfers to the street construction, maintenance and repair and the street permissive tax special revenue funds to help pay for part of the City's 2008 street paving project. The FEMA capital projects fund made transfers to the street construction, maintenance and repair special revenue fund, the capital improvement safety capital projects fund and the sewer fund to finalize the transfer of FEMA funds sent to the City for the flood of 2003.

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:			
<i>Loans Payable</i>			
Justice Center	5.41	4,000,000	2019
Street Widening	5.75	2,500,000	2020
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, 2008

A schedule of changes in bonds and other long-term obligations of the City during 2008 follows:

	Amount Outstanding 12/31/2007	Additions	Deletions	Amount Outstanding 12/31/2008	Amounts Due In One Year
Business-Type Activities:					
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	\$498,833	\$0	(\$40,963)	\$457,870	\$43,310
Water Distribution	282,623	0	(21,082)	261,541	22,423
Lakes Project	1,409,633	0	(138,036)	1,271,597	147,519
Liberty Water	29,484	0	(2,357)	27,127	2,507
Total Ohio Water Development Authority Loans	2,220,573	0	(202,438)	2,018,135	215,759
Compensated Absences	123,191	38,191	(32,329)	129,053	5,208
<i>Total Business-Type Activities Obligations</i>	<u>\$2,343,764</u>	<u>\$38,191</u>	<u>(\$234,767)</u>	<u>\$2,147,188</u>	<u>\$220,967</u>
Governmental Activities Obligations:					
<i>Loans Payable</i>					
Justice Center	\$2,905,143	\$0	(\$187,365)	\$2,717,778	\$196,422
Street Widening	1,781,287	0	(103,256)	1,678,031	108,247
Total Loans Payable	4,686,430	0	(290,621)	4,395,809	304,669
Ohio Public Works Commission Loan	98,840	0	(8,594)	90,246	8,594
Compensated Absences	539,738	60,777	(64,056)	536,459	78,996
Police and Fire Pension	276,705	0	(5,467)	271,238	5,701
<i>Total Governmental Activities Obligations</i>	<u>\$5,601,713</u>	<u>\$60,777</u>	<u>(\$368,738)</u>	<u>\$5,293,752</u>	<u>\$397,960</u>

OWDA loans will be paid from water and sewer enterprise fund user service charges. The justice center and street widening notes are payable monthly from the debt service fund. The 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, cemetery and recreation special revenue funds and the water and sewer enterprise funds. The City pays installments on the police and fire pension liability incurred when the State of Ohio established the statewide pension system for police and firemen in 1967. The liability is paid semi-annually from the Police Pension and Fire Pension special revenue funds. Payment is made from unvoted property tax revenues.

The City 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 are expected to require less than 100 percent of net revenues in future years; however, in 2008, the principal and interest payments exceeded net revenues. The total principal and interest remaining to be paid on the loans is \$2,231,570. Principal and interest paid for the current year and total net revenues were \$301,687 and \$453,732 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 required less than 100 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$382,965. Principal and interest paid for the current year and total net revenues were \$45,055 and \$135,149 respectively.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

The City's overall legal debt margin was \$20,281,859 at December 31, 2008. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008, are as follows:

Business-Type Activities:

	OWDA Loans	
	Principal	Interest
2009	\$215,759	\$130,983
2010	229,960	116,783
2011	245,102	101,641
2012	261,245	85,498
2013	278,455	68,288
2014-2017	787,614	93,207
Total	\$2,018,135	\$596,400

Governmental Activities:

	Long-Term Loans		Police and Fire Pension		OPWC Loan	Totals
	Principal	Interest	Principal	Interest	Principal	
2009	\$304,669	\$203,020	\$5,701	\$11,472	\$8,594	\$533,456
2010	319,397	188,292	5,946	11,227	8,595	533,457
2011	334,835	172,854	6,204	10,969	8,595	533,457
2012	351,021	156,668	6,474	10,699	8,595	533,457
2013	367,990	139,759	6,759	10,414	8,595	533,517
2014-2018	2,124,603	413,902	38,548	47,317	42,975	2,667,345
2019-2023	593,294	23,172	47,610	38,255	4,297	706,628
2024-2028	0	0	57,559	28,306	0	85,865
2029-2033	0	0	67,148	18,717	0	85,865
2034-2035	0	0	29,289	5,055	0	34,344
Total	\$4,395,809	\$1,297,667	\$271,238	\$192,431	\$90,246	\$6,247,391

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

Note 13 - Risk Management

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2008, 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	21,809,542
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.

B. Employee Insurance Benefits

The City has elected to provide vision, dental, prescription drug, and hospital/medical benefits to its employees through a self insured program. The maintenance of these benefits is accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$45,000 per individual and \$1,239,500 for the City as a whole. Incurred but not reported claims of \$91,597 have been accrued as a liability based on a review of January, 2008 billings provided by the City Auditor's Office.

The claims liability of \$91,597 reported in the internal service fund at December 31, 2008 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 2007 and 2008 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$139,238	\$1,207,379	\$1,209,604	\$137,013
2008	137,013	919,915	965,331	91,597

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

C. Workers' Compensation

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

Note 14 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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 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. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$159,239, \$202,031, and \$190,761, respectively; 96.56 percent has been contributed for 2008 and 100 percent for 2007 and 2006. There were no contributions to the member-directed plan for 2008.

B. 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City’s contribution was 19.5 percent for police officers and 24.0 percent for firefighters. Contribution rates are established by State statute. For 2008, a portion of the City’s contributions equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City’s contributions to OP&F for police and firefighters were \$111,120 and \$137,788 for the year ended December 31, 2008, \$103,168 and \$132,456 for the year ended December 31, 2007, and \$116,092 and \$139,080 for the year ended December 31, 2006. 95.03 percent for police and 95.97 percent for firefighters has been contributed for 2008. The full amount has been contributed for 2007 and 2006.

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, 2008, the unfunded liability of the City was \$271,238 payable in semi-annual payments through year 2035. This is an accounting liability of the City which will not vary.

Note 15 – Post-Employment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age-and-service retirees under the traditional and combined plans must have ten 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 require, 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). State Statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer’s contribution to the traditional and combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local government employers contributed at a rate of 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). 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. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$159,239, \$118,841, and \$93,307, respectively; 96.56 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

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 as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

B. 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 reimbursement 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 Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 410(h) account within the defined benefit plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required 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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, 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 Section 401(h).

The OP&F Board of Trustees also is 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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$58,775 and \$53,917 for the year ended December 31, 2008, \$68,047 and \$63,171 for the year ended December 31, 2007, and \$76,571 and \$66,330 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 95.03 percent has been contributed for police and 95.97 percent has been contributed for firefighters for 2008.

Note 16 - Jointly Governed Organizations

A. 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 2008, 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.

B. Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 2008, the City contributed \$2,289 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

Note 17 – 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 April 24, 2006.

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2008

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.

During 2005, 2006, 2007, 2008 and continuing into 2009, the City has taken steps to regain financial stability. As of December 31, 2008, 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 2008. 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 2009 and beyond. Beginning in 2005, 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 2004 and plans to renew the levy in the future.

CITY OF GIRARD
TRUMBULL COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008

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-06-127-1	14.228	\$24,830
	A-F-07-127-1		17,043
	A-F-08-127-1		78,731
Community Housing Improvement Program	A-C-07-127-1		<u>28,430</u>
Total Community Development Block Grant			149,034
HOME Investment Partnerships Program	A-C-07-127-2	14.239	43,491
	A-C-08-127-2		59,156
Total HOME Investment Partnership Program			<u>102,647</u>
Total U.S. Department of Housing and Urban Development			<u>251,681</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Public Assistance Grants	FEMA-DR-1484-155-30198	97.036	237,627
Hazard Mitigation Grant	FEMA-DR-1484.25-OH	97.039	<u>3,294</u>
Total U.S. Department of Homeland Security			<u>240,921</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed Through Ohio EPA:</i>			
CSO and Collection Systems Upgrade	XP-00E05101-0	66.202	<u>757,523</u>
Total			<u><u>\$1,250,125</u></u>

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, 2008**

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 eligible persons to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The 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.

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.



Mary Taylor, CPA

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 4, 2010, 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.

Also, we noted 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, 2008. In addition, as described in Note 17 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 expressing our opinions on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider findings 2008-004 and 2008-005 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding numbers 2008-004 through 2008-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the City's management in a separate letter dated June 4, 2010.

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 2008-001, 2008-002, and 2008-003.

We also noted certain noncompliance or other matters that we reported to the City's management in a separate letter dated June 4, 2010.

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



Mary Taylor, CPA
Auditor of State

June 4, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the 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 its major federal program for the year ended December 31, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 its major federal program for the year ended December 31, 2008.

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 expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements. In a separate letter to the City's management dated June 4, 2010, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

June 4, 2010

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008

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 other 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?	No
<i>(d)(1)(iv)</i>	Were there any other 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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 66.202 Congressionally Mandated Projects (EPA)
<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**

FINDING NUMBER 2008-001

Financial Recovery Plan - Material Noncompliance

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.

**FINDING NUMBER 2008-001
(Continued)**

- (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(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 Financial Planning and Supervision Commission have requested that the City update their financial plan annually and prepare a five year financial forecast. The existing plan was submitted to the Financial Planning and Supervision Commission on April 24, 2006. The City has not followed through on several actions detailed in this plan.

Some of the failures are listed below:

- The City failed to gain revenue from gas well drillings - \$125,000 annually.
- Attempt to collect delinquent water and sewer billings by garnishing property tax with the County.
- Reductions in workers' compensation expenditures to \$107,000 annually. The City also has not updated the plan annually as requested by the Financial Planning and Supervision Commission.

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

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

FINDING NUMBER 2008-002

Negative Cash Balances - Material Noncompliance

Ohio Revised Code Section 5705.10 states that money paid into any fund shall be used only for the purpose for which the fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. At various times throughout the fiscal year the City had two funds which had deficit fund balances. At December 31, 2008 the following funds had negative cash fund balances:

State Highway	(\$1,063)
Water Revenue Fund	(\$441,564)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

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

FINDING NUMBER 2008-003

Certificate of Expenditures – Material 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.

**FINDING NUMBER 2008-003
(Continued)**

- 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.

Forty out of sixty one expenditures (66%) tested for fiscal year 2008, 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 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.

FINDING NUMBER 2008-004

Bank Reconciliation –Material Weakness

A bank to book reconciliation should be performed monthly and reviewed and approved by an individual with appropriate fiscal authority. Reconciling items should be adjusted at the time the item or error is discovered and the discrepancy is resolved.

The City prepared monthly bank to book reconciliations throughout 2008; however, an unreconciled balance existed throughout 2008 which was not resolved. In addition, the bank reconciliations are performed by the Finance Clerk and are approved by the City Auditor; however, there is no evidence of the City Auditor's review.

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.

**FINDING NUMBER 2008-004
(Continued)**

For 2008, a fund balance audit adjustment to the general fund of \$15,383 was required in order to reconcile the City's accounting system to the bank balances. The audit adjustment was posted to the City's accounting system and to the audited financial statements.

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.

FINDING NUMBER 2008-005

Water and Sewer Billings and Collections - Material Weakness

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

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

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 2008, this resulted in approximately only 50% of all meters being read.

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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Recovery Plan-Material Noncompliance	No	Not Corrected. Repeated as Finding 2008-001
2007-002	Bank Reconciliation-Significant Deficiency/Material Weakness	No	Not Corrected. Repeated as Finding 2008-004
2007-003	Water and Sewer Billings and Collections-Significant Deficiency/Material Weakness	No	Not Corrected. Repeated as Finding 2008-005
2007-004	Negative Cash Balance-Material Noncompliance	No	Not Corrected. Repeated as Finding 2008-002
2007-005	Certification of Expenditures-Material Noncompliance/Significant Deficiency	No	Not Corrected. Repeated as Finding 2008-003
2007-006	Non-payroll Controls-Significant Deficiency	No	Included in Finding 2008-003



Mary Taylor, CPA
Auditor of State

CITY OF GIRARD

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 29, 2010