



**Auditor of State
Betty Montgomery**

**CITY OF GIRARD
TRUMBULL COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio (the City), as of and for the year ended December 31, 2003, 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 discussed 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Ambulance billing collections reported in the Other Governmental Funds are processed by a service organization that is independent of the City of Girard. The service organization did not provide us with evidence we requested regarding the design and proper operation of its internal controls relative to the processing of the City's ambulance billing transactions. We were unable to perform procedures to satisfy ourselves as to the proper processing of ambulance run bills. The ambulance billings represent 100% of the charges for services revenue reflected in the Other Governmental Funds for the year ended December 31, 2003.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy collection of ambulance billings as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As described in Note 1 to the financial statements, the City has been declared to be in fiscal emergency under criteria established by Ohio Revised Code Chapter 118. This condition raises substantial doubt about the City's ability to continue as a going concern.

Management's plans in regard to this matter are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 3, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements^B and Management's Discussion and Analysis^B for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2005, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

April 12, 2005

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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, 2003. 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 2003 are as follows:

- In total net assets decreased by \$1,629,600 or 3.6 percent. Net assets of governmental activities decreased \$1,490,888, which represents a 4.0 percent decrease from 2002. Net assets of business-type activities decreased \$138,712 which represents a 1.6 percent decrease from 2002.
- All revenues totaled \$12,335,075. General revenues accounted for \$4,094,034 or 33.7 percent of all revenues. Program revenues in the form of charges for services and grants and contributions accounted for \$8,241,041 or 66.8 percent of all revenues.
- Total assets of governmental activities decreased by \$1,438,520, or 3.1 percent from 2002. Capital assets decreased by \$781,549 and cash and cash equivalents decreased \$283,558, causing the majority of the decrease in assets.
- The City had \$9,993,834 in expenses related to governmental activities while only \$4,408,912 of these expenses was offset by program specific charges for services, grants and contributions. Governmental activities general revenues equaled \$4,094,034 in 2003, of which \$651,789 were property tax monies, \$2,726,960 were income tax monies and the remaining \$715,286 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
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Reporting on the City of Girard as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question.

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

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

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

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

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

Reporting on the Most Significant Funds of the City of Girard

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General fund and the Federal Emergency Assistance Grant capital projects fund.

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

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

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

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

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

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

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2003
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The City of Girard as a Whole

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2003 as they compare to 2002.

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$2,784,489	\$3,441,460	\$1,765,810	\$1,971,001	\$4,550,299	\$5,412,461
Capital Assets, Net	42,044,436	42,825,985	12,187,675	12,288,340	54,232,111	55,114,325
<i>Total Assets</i>	<u>44,828,925</u>	<u>46,267,445</u>	<u>13,953,485</u>	<u>14,259,341</u>	<u>58,782,410</u>	<u>60,526,786</u>
Liabilities						
Current Liabilities	1,400,040	1,035,786	516,155	190,608	1,916,195	1,226,394
Long-term Liabilities						
Due within one Year	486,441	660,109	543,014	557,223	1,029,455	1,217,332
Due in More than one Year	6,996,247	7,134,465	4,062,316	4,540,798	11,058,563	11,675,263
<i>Total Liabilities</i>	<u>8,882,728</u>	<u>8,830,360</u>	<u>5,121,485</u>	<u>5,288,629</u>	<u>14,004,213</u>	<u>14,118,989</u>
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	35,708,734	42,825,985	7,762,132	4,765,794	43,470,866	47,591,779
Restricted for:						
Capital Projects	1,119,896	1,285,683	0	0	1,119,896	1,285,683
State Highway	117,777	107,476	0	0	117,777	107,476
Street Permissive	172,831	202,312	0	0	172,831	202,312
Garbage	181,624	120,594	0	0	181,624	120,594
Other Purposes	828,605	1,435,375	0	0	828,605	1,435,375
Unrestricted	(2,183,270)	(8,540,340)	1,069,868	4,204,918	(1,113,402)	(4,335,422)
<i>Total Net Assets</i>	<u>\$35,946,197</u>	<u>\$37,437,085</u>	<u>\$8,832,000</u>	<u>\$8,970,712</u>	<u>\$44,778,197</u>	<u>\$46,407,797</u>

The total net assets of the City, including both governmental and business-type activities, are \$44,778,197, which was a decrease of \$1,629,600 from last year. Approximately 97 percent of the City's net assets are investments in capital assets, such as machinery and equipment, buildings, infrastructure, and vehicles. Debt issued to acquire assets in the governmental-type activities is paid for from income tax and licensing fees. Outstanding debt for the City was reduced by more than \$803,905 during 2003. In the business-type activities, user fees are the primary revenue source for the repayment of debt.

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

City of Girard
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Table 2 shows the changes in net assets for 2003. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons for 2002 are not available. In future years, when prior information is available, a comparative analysis of government-wide data will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities	Business-Type	Total
Program Revenues			
Charges for Services and Sales	\$1,977,347	\$3,832,129	\$5,809,476
Operating Grants and Contributions	1,162,655	0	1,162,655
Capital Grants and Contributions	1,268,910	0	1,268,910
<i>Total Program Revenues</i>	<u>4,408,912</u>	<u>3,832,129</u>	<u>8,241,041</u>
General Revenues			
Property Taxes	651,789	0	651,789
Municipal Income Tax	2,726,960	0	2,726,960
Grants and Entitlements	607,586	0	607,586
Interest	23,323	0	23,323
Miscellaneous	84,376	0	84,376
<i>Total General Revenues</i>	<u>4,094,034</u>	<u>0</u>	<u>4,094,034</u>
<i>Total Revenues</i>	<u>8,502,946</u>	<u>3,832,129</u>	<u>12,335,075</u>
Program Expenses			
General Government	2,286,767	0	2,286,767
Security of Persons and Property	3,462,338	0	3,462,338
Public Health Services	255,021	0	255,021
Transportation	2,199,161	0	2,199,161
Community Development	979,162	0	979,162
Basic Utility Services	406,036	0	406,036
Leisure Time Activities	83,036	0	83,036
Interest and Fiscal Charges	322,313	0	322,313
Water	0	2,291,062	2,291,062
Sewer	0	1,679,779	1,679,779
<i>Total Program Expenses</i>	<u>9,993,834</u>	<u>3,970,841</u>	<u>13,964,675</u>
<i>Change in Net Assets</i>	(1,490,888)	(138,712)	(1,629,600)
Net Assets Beginning of the Year	<u>37,437,085</u>	<u>8,970,712</u>	<u>46,407,797</u>
Net Assets End of the Year	<u>\$35,946,197</u>	<u>\$8,832,000</u>	<u>\$44,778,197</u>

City of Girard
Management's Discussion and Analysis
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Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The income tax rate is 2.0 percent and generated \$2,726,960 in revenue for 2003, accounting for approximately 33.8 percent of governmental activities revenue. The revenue collected from the income tax, less funds necessary to run the Income Tax Department, were receipted into the following funds: 84.18 percent went to the general fund, 1.00 percent went into the recreation fund and 14.82 percent went into the general obligation bond retirement fund. Unrestricted State shared revenues and local government funds for 2003 amounted to \$607,586 and represented approximately 7 percent of governmental activities revenue.

Actual income tax collections for 2003 were 9.5 percent lower than 2002. This decrease is a direct result of the current poor economic conditions present today.

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

Over 57 percent of governmental activities expenditures are allocated to the police and fire departments. The police department employs seventeen officers and three full-time dispatchers. The fire department employs sixteen full-time positions and numerous part-time personnel.

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

The City's transportation department accounted for 22.2 percent of the expenditures in the governmental activities due to \$1,374,177 in depreciation.

Business – Type Activities

The City operates two business-type activities; the water and sewer treatment facility. These two funds generated revenues of \$2,044,328 from water and \$1,787,801 from the sewer plant facility. Water expenses for 2003 amounted to \$2,291,062, and \$1,679,779 for the Sewer plant. For 2003, 6,900 water customers and 4,800 sewer customers were serviced. Approximately 45,000,000 gallons are billed and processed on a monthly basis.

The City's Funds

Information about the City's governmental funds begins on page 16. The funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues amounting to \$8,691,632 and expenditures of \$9,509,057. The general fund concluded the fiscal year with a deficit fund balance of \$1,370,812. The City passed a 3 mill fire levy on the November 2004 ballot that will generate approximately \$333,000 annually for the next five years.

City of Girard
Management's Discussion and Analysis
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Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. Net assets have decreased over the past two years in both of these funds. These funds had operating revenue of \$3,765,750 and operating expenses of \$3,449,316. If expenses were to continue to exceed revenue and dramatically affect net assets, the City has the power to increase revenue through rate increases and would do so.

General Fund Budgeting Highlights

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2003, final estimated revenues for the general fund were \$4,644,931, and actual revenues received were \$4,607,436 or \$37,495 lower than final estimated revenues. City Council final appropriations were \$4,544,213, which were \$100,718 less than budgeted revenues.

Both the original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year. During the course of 2003, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed. The original budgeted appropriations amount exceeded the original revenues by \$636,407. The majority of this was due to the conservative budgeting for the receipt of income and property tax collections.

Capital Assets and Debt Administration

Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	7,699,779	6,950,585	7,308,714	7,345,253	15,008,493	14,295,838
Furniture, Fixtures and Equipment	718,406	829,570	104,256	120,007	822,662	949,577
Vehicles	200,219	271,782	141,303	171,085	341,522	442,867
Infrastructure						
Streets	25,184,840	26,234,208	0	0	25,184,840	26,234,208
Sidewalks	6,189,005	6,446,880	0	0	6,189,005	6,446,880
Curbs	978,547	1,019,320	0	0	978,547	1,019,320
Water and Sewer Lines	0	0	446,233	464,826	446,233	464,826
Total Capital Assets	\$42,044,436	\$42,825,985	\$12,187,675	\$12,288,340	\$54,232,111	\$55,114,325

Total capital assets for the governmental activities, net of accumulated depreciation, were \$42,044,436, which was a \$781,549 decrease from the prior year. The main reason for this decrease was an additional year of accumulated depreciation being taken.

City of Girard
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Total capital assets for the business type activities, net of accumulated depreciation, were \$12,187,675 or a decrease from the prior year of \$100,665. This decrease was also the result of an additional year of accumulated depreciation being taken. The City made no significant purchases, or engaged in any construction projects in 2003. See note 9 for additional information on capital assets.

Debt

The City had \$12,088,018 in outstanding long-term obligations at the end of the year. The long-term obligation includes commercial loans, OPWC and OWDA loans, police and fire pensions, capital leases and compensated absences.

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

	Governmental Activities		Business Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Loans Payable	\$6,155,945	\$6,505,464	\$0	\$0	\$6,155,945	\$6,505,464
Capital Improvement Loan	9,286	18,571	0	0	9,286	18,571
OPWC Loans	133,220	141,815	0	0	133,220	141,815
OWDA Loans	0	0	4,388,381	4,838,142	4,388,381	4,838,142
Police and Fire Pension	296,424	300,857	0	0	296,424	300,857
Capital Leases	37,251	120,028	37,162	72,348	74,413	192,376
Compensated Absences	850,562	707,839	179,787	186,859	1,030,349	894,698
Total	\$7,482,688	\$7,794,574	\$4,605,330	\$5,097,349	\$12,088,018	\$12,891,923

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

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

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

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

The City has existing capital leases for a pumper truck and an automated water meter which are paid from the capital improvements capital projects fund and the water proprietary fund, respectively.

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

City of Girard
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The City of Girard's overall legal debt margin was \$11,706,790 on December 31, 2003. For more information about the City's long-term obligations, see Note 11 to the basic financial statements.

Current Financial Issues

The City of Girard was placed in fiscal emergency in 2001. The City continues to maintain overall services that were offered prior to the placement into fiscal emergency, although there has been some reduction. The City continues to strive to reduce the negative fund results that were the cause of the fiscal emergency. As of the end of 2003, \$567,000 has been reduced from the original negative fund balances.

In 2002, The City's unions recognized the serious financial situation that exists and agreed to a three-year wage freeze and monthly co-payments on their health care premiums. These current contracts run through 2006.

Contacting the City of Girard's Financial Management

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

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City of Girard, Ohio*Statement of Net Assets**December 31, 2003*

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$908,545	\$1,428,769	\$2,337,314
Accounts Receivable	45,242	342,647	387,889
Internal Balances	5,606	(5,606)	0
Intergovernmental Receivable	801,241	0	801,241
Property Taxes Receivable	724,035	0	724,035
Income Taxes Receivable	246,999	0	246,999
Special Assessments Receivable	3,974	0	3,974
Prepaid Items	48,847	0	48,847
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	40,970,796	8,000,506	48,971,302
<i>Total Assets</i>	<u>44,828,925</u>	<u>13,953,485</u>	<u>58,782,410</u>
Liabilities			
Accounts Payable	123,065	248,846	371,911
Accrued Wages	103,172	24,071	127,243
Intergovernmental Payable	436,314	84,648	520,962
Matured Compensated Absences Payable	65,313	0	65,313
Accrued Interest Payable	1,628	158,590	160,218
Claims Payable	27,979	0	27,979
Deferred Revenue	642,569	0	642,569
Long-Term Liabilities:			
Due Within One Year	486,441	543,014	1,029,455
Due In More Than One Year	6,996,247	4,062,316	11,058,563
<i>Total Liabilities</i>	<u>8,882,728</u>	<u>5,121,485</u>	<u>14,004,213</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	35,708,734	7,762,132	43,470,866
Restricted for:			
Capital Projects	1,119,896	0	1,119,896
State Highway	117,777	0	117,777
Street Permissive	172,831	0	172,831
Garbage	181,624	0	181,624
Other Purposes	828,605	0	828,605
Unrestricted (Deficit)	(2,183,270)	1,069,868	(1,113,402)
<i>Total Net Assets</i>	<u>\$35,946,197</u>	<u>\$8,832,000</u>	<u>\$44,778,197</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,286,767	\$528,838	\$16,740	\$181,274
Security of Persons and Property	3,462,338	864,908	0	181,272
Public Health Services	255,021	215,771	7,632	181,272
Transportation	2,199,161	46,504	843,941	181,273
Community Development	979,162	223,958	290,847	181,273
Basic Utility Services	406,036	45,692	0	181,273
Leisure Time Activities	83,036	51,676	3,495	181,273
Interest and Fiscal Charges	322,313	0	0	0
<i>Total Governmental Activities</i>	<u>9,993,834</u>	<u>1,977,347</u>	<u>1,162,655</u>	<u>1,268,910</u>
Business-Type Activities:				
Water	2,291,062	2,044,328	0	0
Sewer	1,679,779	1,787,801	0	0
<i>Total Business-Type Activities</i>	<u>3,970,841</u>	<u>3,832,129</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$13,964,675</u>	<u>\$5,809,476</u>	<u>\$1,162,655</u>	<u>\$1,268,910</u>

General Revenues

Property Taxes Levied for:

General Purposes

Garbage

Cemetery

Police Pension

Fire Pension

Income Taxes Levied for:

General Purposes

Debt Service

Recreation

Grants and Entitlements not Restricted to Specific Programs

Interest

Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year (See Note 3)

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
(\$1,559,915)	\$0	(\$1,559,915)
(2,416,158)	0	(2,416,158)
149,654	0	149,654
(1,127,443)	0	(1,127,443)
(283,084)	0	(283,084)
(179,071)	0	(179,071)
153,408	0	153,408
(322,313)	0	(322,313)
<u>(5,584,922)</u>	<u>0</u>	<u>(5,584,922)</u>
0	(246,734)	(246,734)
0	108,022	108,022
<u>0</u>	<u>(138,712)</u>	<u>(138,712)</u>
<u>(5,584,922)</u>	<u>(138,712)</u>	<u>(5,723,634)</u>
264,187	0	264,187
296,278	0	296,278
22,832	0	22,832
34,246	0	34,246
34,246	0	34,246
2,430,534	0	2,430,534
270,910	0	270,910
25,516	0	25,516
607,586	0	607,586
23,323	0	23,323
84,376	0	84,376
<u>4,094,034</u>	<u>0</u>	<u>4,094,034</u>
(1,490,888)	(138,712)	(1,629,600)
<u>37,437,085</u>	<u>8,970,712</u>	<u>46,407,797</u>
<u>\$35,946,197</u>	<u>\$8,832,000</u>	<u>\$44,778,197</u>

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2003

	General	Federal Emergency Assistance Grant	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$0	\$0	\$908,545	\$908,545
Cash and Cash Equivalents In Segregated Accounts	0	0	0	0
Receivables:				
Property Taxes	291,881	0	432,154	724,035
Income Taxes	207,924	0	39,075	246,999
Accounts	28,934	0	12,750	41,684
Intergovernmental	207,745	0	593,496	801,241
Special Assessments	3,974	0	0	3,974
Interfund Receivable	0	229,318	992,900	1,222,218
Prepaid Items	48,847	0	0	48,847
<i>Total Assets</i>	<u>\$789,305</u>	<u>\$229,318</u>	<u>\$2,978,920</u>	<u>\$3,997,543</u>
Liabilities				
Accounts Payable	\$17,863	\$70,515	\$34,687	\$123,065
Accrued Wages	87,009	0	16,163	103,172
Intergovernmental Payable	250,209	0	31,855	282,064
Interfund Payable	1,214,541	0	7,677	1,222,218
Deferred Revenue	542,007	0	978,530	1,520,537
Matured Compensated Absences Payable	48,488	0	16,825	65,313
<i>Total Liabilities</i>	<u>2,160,117</u>	<u>70,515</u>	<u>1,085,737</u>	<u>3,316,369</u>
Fund Balances				
Reserved for Encumbrances	377	42,132	2,112	44,621
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(1,371,189)	0	0	(1,371,189)
Special Revenue Funds	0	0	876,408	876,408
Debt Service Funds	0	0	15,089	15,089
Capital Projects Funds	0	116,671	999,574	1,116,245
<i>Total Fund Balances (Deficit)</i>	<u>(1,370,812)</u>	<u>158,803</u>	<u>1,893,183</u>	<u>681,174</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$789,305</u>	<u>\$229,318</u>	<u>\$2,978,920</u>	<u>\$3,997,543</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, 2003*

Total Governmental Fund Balances	\$681,174
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*Amounts reported for governmental activities in the
 statement of net assets are different because*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	42,044,436
---	------------

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

Property Taxes	81,466	
Income Taxes	93,383	
Intergovernmental	699,145	
Special Assessments	3,974	

Total	877,968
-------	---------

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	(24,421)	
Internal Balances	5,606	

Total	(18,815)
-------	----------

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(154,250)
--	-----------

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,628)
--	---------

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	(850,562)	
Loans Payable	(6,165,231)	
OPWC Loans Payable	(133,220)	
Capital Leases	(37,251)	
Police and Fire Pension Loan	(296,424)	

Total	(7,482,688)
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<i>Net Assets of Governmental Activities</i>	<u>\$35,946,197</u>
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See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Federal Emergency Assistance Grant	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Taxes	\$261,283	\$0	\$383,261	\$644,544
Municipal Income Taxes	2,432,774	0	300,372	2,733,146
Special Assessments	0	0	4,995	4,995
Charges for Services	188,477	0	343,447	531,924
Fees, Licenses and Permits	54,074	0	35,386	89,460
Fines and Forfeitures	980,583	0	370,385	1,350,968
Intergovernmental	589,989	1,016,647	1,618,522	3,225,158
Interest	22,041	0	14,338	36,379
Contributions and Donations	0	0	3,738	3,738
Other	23,037	0	48,283	71,320
<i>Total Revenues</i>	<u>4,552,258</u>	<u>1,016,647</u>	<u>3,122,727</u>	<u>8,691,632</u>
Expenditures				
Current:				
General Government	1,478,223	0	59,221	1,537,444
Security of Persons and Property	3,123,780	0	66,555	3,190,335
Public Health Services	116,245	0	166,841	283,086
Transportation	35	0	819,182	819,217
Community Development	26,833	0	937,086	963,919
Basic Utility Services	0	0	296,076	296,076
Leisure Time Activities	0	0	71,963	71,963
Capital Outlay	0	857,844	709,437	1,567,281
Debt Service:				
Principal Retirement	0	0	454,609	454,609
Interest and Fiscal Charges	0	0	325,127	325,127
<i>Total Expenditures</i>	<u>4,745,116</u>	<u>857,844</u>	<u>3,906,097</u>	<u>9,509,057</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(192,858)</u>	<u>158,803</u>	<u>(783,370)</u>	<u>(817,425)</u>
Other Financing Sources (Uses)				
Transfers In	0	0	150,000	150,000
Transfers Out	0	0	(150,000)	(150,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(192,858)</u>	<u>158,803</u>	<u>(783,370)</u>	<u>(817,425)</u>
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>(1,177,954)</u>	<u>0</u>	<u>2,676,553</u>	<u>1,498,599</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,370,812)</u>	<u>\$158,803</u>	<u>\$1,893,183</u>	<u>\$681,174</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, 2003*

Net Change in Fund Balances - Total Governmental Funds (\$817,425)

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

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

Capital Outlay	837,770	
Depreciation	(1,619,319)	
Total		(781,549)

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

Property Taxes	7,245	
Income Taxes	(6,186)	
Intergovernmental	(193,719)	
Special Assessments	3,974	
Total		(188,686)

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. 454,609

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,814

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

Compensated Absences	(142,723)	
Pension Obligation	(14,760)	
Total		(157,483)

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	(4,111)	
Internal Balances	943	
Total		(3,168)

Change in Net Assets of Governmental Activities (\$1,490,888)

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property and Other Taxes	\$265,130	\$438,277	\$261,283	(\$176,994)
Municipal Income Taxes	2,410,135	2,527,081	2,495,034	(32,047)
Charges for Services	185,500	185,500	188,418	2,918
Fees, Licenses and Permits	97,000	114,700	75,134	(39,566)
Fines and Forfeitures	579,552	922,330	951,750	29,420
Intergovernmental	263,635	406,543	589,361	182,818
Interest	30,000	30,000	23,419	(6,581)
Other	20,500	20,500	23,037	2,537
<i>Total Revenues</i>	<u>3,851,452</u>	<u>4,644,931</u>	<u>4,607,436</u>	<u>(37,495)</u>
Expenditures				
Current:				
General Government	1,532,843	1,407,679	1,420,580	(12,901)
Security of Persons and Property	2,775,774	2,959,336	2,952,830	6,506
Public Health Services	120,242	120,242	107,738	12,504
Transportation	30,000	30,000	35	29,965
Community Development	29,000	26,956	26,833	123
<i>Total Expenditures</i>	<u>4,487,859</u>	<u>4,544,213</u>	<u>4,508,016</u>	<u>36,197</u>
<i>Net Change in Fund Balance</i>	(636,407)	100,718	99,420	(1,298)
<i>Fund Deficit Beginning of Year</i>	(1,332,692)	(1,332,692)	(1,332,692)	0
Prior Year Encumbrances Appropriated	<u>2,988</u>	<u>2,988</u>	<u>2,988</u>	<u>0</u>
<i>Fund Deficit End of Year</i>	<u>(\$1,966,111)</u>	<u>(\$1,228,986)</u>	<u>(\$1,230,284)</u>	<u>(\$1,298)</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$550,660	\$878,109	\$1,428,769	\$0
Accounts Receivable	168,016	174,631	342,647	3,558
<i>Total Current Assets</i>	<u>718,676</u>	<u>1,052,740</u>	<u>1,771,416</u>	<u>3,558</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	2,239,749	5,760,757	8,000,506	0
<i>Total Noncurrent Assets</i>	<u>3,926,918</u>	<u>8,260,757</u>	<u>12,187,675</u>	<u>0</u>
<i>Total Assets</i>	<u>4,645,594</u>	<u>9,313,497</u>	<u>13,959,091</u>	<u>3,558</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	157,696	91,150	248,846	0
Accrued Wages	12,009	12,062	24,071	0
Intergovernmental Payable	42,015	42,633	84,648	0
Accrued Interest Payable	84,120	74,470	158,590	0
Compensated Absences Payable	17,064	6,744	23,808	0
OWDA Loans Payable	135,379	346,665	482,044	0
Capital Leases Payable	37,162	0	37,162	0
Claims Payable	0	0	0	27,979
<i>Total Current Liabilities</i>	<u>485,445</u>	<u>573,724</u>	<u>1,059,169</u>	<u>27,979</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable (net of current portion)	83,560	72,419	155,979	0
OWDA Loans Payable (net of current portion)	2,355,937	1,550,400	3,906,337	0
<i>Total Long-Term Liabilities</i>	<u>2,439,497</u>	<u>1,622,819</u>	<u>4,062,316</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,924,942</u>	<u>2,196,543</u>	<u>5,121,485</u>	<u>27,979</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,398,440	6,363,692	7,762,132	0
Unrestricted (Deficit)	322,212	753,262	1,075,474	(24,421)
<i>Total Net Assets (Deficit)</i>	<u>\$1,720,652</u>	<u>\$7,116,954</u>	<u>8,837,606</u>	<u>(\$24,421)</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:			(5,606)	
Net assets of business-type activities			<u>\$8,832,000</u>	

See accompanying notes to the basic financial statements

City of Girard. Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$2,044,328	\$1,731,301	\$3,775,629	\$893,897
Tap-In Fees	0	56,500	56,500	0
<i>Total Operating Revenues</i>	<u>2,044,328</u>	<u>1,787,801</u>	<u>3,832,129</u>	<u>893,897</u>
Operating Expenses				
Personal Services	624,689	603,398	1,228,087	0
Materials and Supplies	612,684	550,459	1,163,143	0
Contractual Services	729,194	0	729,194	67,541
Depreciation	47,500	159,381	206,881	0
Claims	0	0	0	830,467
Other	16,700	105,311	122,011	0
<i>Total Operating Expenses</i>	<u>2,030,767</u>	<u>1,418,549</u>	<u>3,449,316</u>	<u>898,008</u>
<i>Operating Income (Loss)</i>	13,561	369,252	382,813	(4,111)
Non-Operating Expenses				
Interest and Fiscal Charges	(259,838)	(260,744)	(520,582)	0
<i>Change in Net Assets</i>	(246,277)	108,508	(137,769)	(4,111)
<i>Net Assets (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>1,966,929</u>	<u>7,008,446</u>		<u>(20,310)</u>
<i>Net Assets (Deficit) End of Year</i>	<u><u>\$1,720,652</u></u>	<u><u>\$7,116,954</u></u>		<u><u>(\$24,421)</u></u>

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

(943)

Change in net assets of business-type activities

(\$138,712)

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Enterprise			Internal Service
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$2,175,104	\$1,790,369	\$3,965,473	\$890,339
Cash Received from Tap-Ins	0	56,500	56,500	0
Cash Payments to Employees for Services	(588,388)	(579,181)	(1,167,569)	0
Cash Payments for Goods and Services	(1,312,678)	(459,309)	(1,771,987)	(67,541)
Cash Payments for Claims	0	0	0	(822,798)
Other Cash Payments	(36,014)	(105,311)	(141,325)	0
<i>Net Cash Provided by Operating Activities</i>	<u>238,024</u>	<u>703,068</u>	<u>941,092</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Capital Acquisitions	0	(106,216)	(106,216)	0
Principal Paid on OWDA Loans	(126,873)	(322,888)	(449,761)	0
Interest Paid on OWDA Loans	(174,804)	(186,274)	(361,078)	0
Principal Paid on Capital Lease	(35,186)	0	(35,186)	0
Interest Paid on Capital Lease	(3,255)	0	(3,255)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(340,118)</u>	<u>(615,378)</u>	<u>(955,496)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(102,094)	87,690	(14,404)	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>652,754</u>	<u>790,419</u>	<u>1,443,173</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$550,660</u>	<u>\$878,109</u>	<u>\$1,428,769</u>	<u>\$0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	<u>(\$52,818)</u>	<u>\$369,252</u>	<u>\$316,434</u>	<u>(\$4,111)</u>
Adjustments:				
Depreciation	47,500	159,381	206,881	0
(Increase) Decrease in Assets:				
Accounts Receivable	130,776	59,068	189,844	(3,558)
Increase (Decrease) in Liabilities:				
Accounts Payable	29,200	88,367	117,567	0
Accrued Wages	1,436	734	2,170	0
Claims Payable	0	0	0	7,669
Compensated Absences Payable	(7,150)	78	(7,072)	0
Intergovernmental Payable	22,701	26,188	48,889	0
<i>Total Adjustments</i>	<u>224,463</u>	<u>333,816</u>	<u>558,279</u>	<u>4,111</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$171,645</u>	<u>\$703,068</u>	<u>\$874,713</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, 2003

	Private Purpose Trust	
	Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,950	\$0
Cash and Cash Equivalents in Segregated Accounts	0	33,933
<i>Total Assets</i>	4,950	\$33,933
Liabilities		
Undistributed Monies	0	\$33,933
<i>Total Liabilities</i>	0	\$33,933
Net Assets		
Held in Trust for Endowment	\$4,950	

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, 2003

	Private Purpose Trust
	Memorial
Additions	
Interest	\$14
Deductions	
Contractual Services	220
<i>Change in Net Assets</i>	(206)
<i>Net Assets Beginning of Year</i>	5,156
<i>Net Assets End of Year</i>	\$4,950

See accompanying notes to the basic financial statements

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City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

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 and Council members are elected at large for two year staggered terms.

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

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Girard, this includes the agencies and departments that provide the following services: police protection, fire fighting and prevention, street maintenance and repair, building inspection and wastewater treatment. The operation of each of these activities is directly controlled by the 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 15 of the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

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

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Federal Emergency Assistance Grant - This fund accounts for grant monies received from the Federal Emergency Agency to pay for expenses incurred during emergencies.

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

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

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

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

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

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

Fiduciary Funds

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

C. Measurement Focus

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

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Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the exchange on which the tax is imposed takes place. 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.

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

Property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

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

During 2003, investments were limited to nonnegotiable certificates of deposit and repurchase agreements, reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2003 amount to \$22,041, which includes \$21,454 assigned from other City funds.

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, 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.

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H. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the governmental-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the 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. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extended an asset's life are not.

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

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

Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

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.

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Net Assets

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

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 for water and sewer services and self insurance programs. Operating expenses are necessary costs incurred to provide the goods or services that is primary activity of the fund. Revenues and expenses which do not meet these definitions are reported as non-operating.

City of Girard, Ohio
Notes to the Basic Financial Statements
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O. Interfund Activity

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 appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level for all funds.

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

Note 3 - Change in Accounting Principles and Restatement of Prior Year Net Assets

A. Changes in Accounting Principles

For 2003, the City has implemented GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus," Statement No. 38, "Certain Financial Statement Note Disclosures," Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the City's programs between business-type and governmental activities. Except for the restatements explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the City not being able to present budgetary comparisons for the general and each major special revenue fund. The implementation of Statement No. 41 did not affect the presentation of the budgetary statements of the City.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

B. Restatement of Net Assets/Fund Balance

The implementation of these changes had the following effects on fund balance of the major and non-major funds of the City as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

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For The Year Ended December 31, 2003

	General	Non-major	Total
Fund Balances, December 31, 2002	(\$1,237,708)	\$2,656,114	\$1,418,406
Understatement of Prepaid Assets	44,500	0	44,500
Reclassification of a long-term loan	0	18,571	18,571
Implementation of GASB Interpretation No. 6	15,254	1,868	17,122
Adjusted Fund Balances, (Deficit) December 31, 2002	<u>(\$1,177,954)</u>	<u>\$2,676,553</u>	1,498,599

GASB 34 Adjustments:		
Capital Assets		42,825,985
Internal Service Funds		(20,310)
Internal Balances		4,663
Intergovernmental Payable		(139,490)
Accrued Interest Payable		(4,442)
Compensated Absences		(707,839)
Long-Term Liabilities		(6,966,707)
Capital Leases		(120,028)
Long-Term (Deferred) Assets		<u>1,066,654</u>
Governmental Activities Net Assets, December 31, 2002		<u>\$37,437,085</u>

At December 31, 2002 the business type activities had the following restatements, which had the following effect on fund equity as it was previously reported.

	Water	Sewer	Total Business-Type Activities
Fund Equity, December 31, 2002	\$460,103	\$10,461,867	\$10,921,970
Correction to Capital Assets	1,651,543	(3,277,226)	(1,625,683)
Fund Reclassification	(247)	0	(247)
Accrued Interest Payable	(1,669)	0	(1,669)
OWDA Loans Payable	<u>(142,801)</u>	<u>(176,195)</u>	(318,996)
Internal Balances			<u>(4,663)</u>
Adjusted Net Assets December 31, 2002	<u>\$1,966,929</u>	<u>\$7,008,446</u>	<u>\$8,970,712</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
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Note 4 – Accountability and Compliance

A. Fund Balance

The general fund had a deficit fund balance of \$1,370,812 as of December 31, 2003. The deficit was caused by expenditures exceeding revenues and by the recognition of expenditures on the modified accrual basis of accounting. The City is making a concerted effort to reduce expenditures.

B. Compliance

The recreation special revenue fund had total original appropriations in excess of estimated resources plus carryover balances in the amount of \$10,934, contrary to Section 5705.39, Revised Code. This oversight was identified and corrected by year end in the recreation special revenue fund.

The City had negative cash fund balances in the general fund and general obligation bond retirement fund of \$1,214,541 and \$7,677 respectively indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. Although this budgetary violation was not corrected by fiscal year end, management has indicated that appropriations will be closely monitored to prevent future violations.

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

Note 5 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general 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. Unrecorded cash, which consists of unrecorded interest, is not reported by the City on the operating statements (budget), but is reported on the GAAP basis operating statements.

City of Girard, Ohio
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For The Year Ended December 31, 2003

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

Net Change in Fund Balance	General
GAAP Basis	(\$192,858)
Net Adjustment for Revenue Accruals	55,178
Beginning Unrecorded Cash	(259)
Ending Unrecorded Cash	259
Net Adjustment for Expenditures Accruals	252,584
Encumbrances	(15,484)
Budget Basis	\$99,420

Note 6 - Deposits and Investments

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies reported with the institution.

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

City of Girard, Ohio
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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement exceeds the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits At year end, the carrying amount of the City's deposits was \$1,182,152 and the bank balance was \$1,338,600. Of the bank balance:

1. \$340,192 was covered by federal depository insurance.
2. \$998,408 was uncollateralized and uninsured. Although the securities were held by the pledging financial institution's trust department or agent in the financial institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments Investments are classified under the guidelines of GASB Statement No. 3 into three categories. Category 1 includes investments that are insured or registered or are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty, or by its trust department or agent but not in the City's name. The City's only investment was a repurchase agreement under category 3 with a carrying/fair value of \$1,194,045.

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Notes to the Basic Financial Statements
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The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Cash and cash equivalents are defined to include investments with maturities of three months or less at the time of their purchase by the City.

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

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$2,376,197	\$0
Investments:		
Repurchase Agreement	(1,194,045)	1,194,045
<i>GASB Statement No. 3</i>	\$1,182,152	\$1,194,045

Note 7 - Receivables

Receivables at December 31, 2003, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

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

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 2003 for real and public utility property taxes represents collections of the 2002 taxes. Property tax payments received during 2003 for tangible personal property (other than public utility property) are for 2003 taxes.

2003 real property taxes are levied after October 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2003 real property taxes are collected in and intended to finance 2004.

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. 2003 public utility property taxes which became a lien December 31, 2002, are levied after October 1, 2003, and are collected in 2004 with real property taxes.

2003 tangible personal property taxes are levied after October 1, 2002, on the value as of December 31, 2002. Collections are made in 2003. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent of true value for inventory.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

The full tax rate for all City operations for the year ended December 31, 2003, was \$7.20 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2003 property tax receipts were based are as follows:

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

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

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

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Girard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes and public utility taxes which are measurable as of December 31, 2003 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 2003 operations and the collections of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

B. Income Taxes

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 81.2 percent to the general fund, 1.0 percent to the recreation special revenue fund and 17.8 percent to the bond retirement debt service fund.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amounts</u>
Gasoline and Municipal Cents per Gallon	\$422,886
Local Government and Local Government	
Revenue Assistance	165,586
Permissive Tax	127,125
Homestead and Rollback	39,324
Estate Tax	26,034
Capital Projects Grant	11,606
Municipal Court Computer Grant	6,260
Elderly Bus Grant	2,420
Total	<u>\$801,241</u>

Note 8 - Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon length of service and type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee hired before January 1, 1990, can be paid a maximum of 960 hours of accumulated, unused sick leave. Employees hired after January 1, 1990, can be paid a maximum of 650 hours.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

Note 9 - Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balance 12/31/2002	Additions	Deductions	Balance 12/31/2003
Governmental Activities				
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<i>Capital Assets being Depreciated:</i>				
Buildings	8,266,447	802,309	0	9,068,756
Building Improvements	95,183	0	0	95,183
Furniture and Equipment	1,473,459	35,461	0	1,508,920
Vehicles	1,144,621	0	0	1,144,621
Infrastructure:				
Streets	52,468,416	0	0	52,468,416
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
Total Capital Assets being Depreciated	<u>78,380,526</u>	<u>837,770</u>	<u>0</u>	<u>79,218,296</u>
Less Accumulated Depreciation:				
Buildings	(1,372,033)	(49,629)	0	(1,421,662)
Building Improvements	(39,012)	(3,486)	0	(42,498)
Furniture and Equipment	(643,889)	(146,625)	0	(790,514)
Vehicles	(872,839)	(71,563)	0	(944,402)
Infrastructure:				
Streets	(26,234,208)	(1,049,368)	0	(27,283,576)
Sidewalks	(6,446,880)	(257,875)	0	(6,704,755)
Curbs	(1,019,320)	(40,773)	0	(1,060,093)
Total Accumulated Depreciation	<u>(36,628,181)</u>	<u>(1,619,319) *</u>	<u>0</u>	<u>(38,247,500)</u>
Total Capital Assets being Depreciated, Net	<u>41,752,345</u>	<u>(781,549)</u>	<u>0</u>	<u>40,970,796</u>
Governmental Activities Capital Assets, Net	<u>\$42,825,985</u>	<u>(\$781,549)</u>	<u>\$0</u>	<u>\$42,044,436</u>
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	6,922,558	106,216	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	193,112	0	0	193,112
Vehicles	327,017	0	0	327,017
Infrastructure	929,653	0	0	929,653
Total Capital Assets being Depreciated	<u>11,912,340</u>	<u>106,216</u>	<u>0</u>	<u>12,018,556</u>
Less Accumulated Depreciation:				
Buildings	(1,451,523)	(63,898)	0	(1,515,421)
Building Improvements	(1,665,782)	(78,857)	0	(1,744,639)
Furniture and Equipment	(73,105)	(15,751)	0	(88,856)
Vehicles	(155,932)	(29,782)	0	(185,714)
Infrastructure	(464,827)	(18,593)	0	(483,420)
Total Accumulated Depreciation	<u>(3,811,169)</u>	<u>(206,881)</u>	<u>0</u>	<u>(4,018,050)</u>
Total Capital Assets being Depreciated, Net	<u>8,101,171</u>	<u>(100,665)</u>	<u>0</u>	<u>8,000,506</u>
Business Type Activities Capital Assets, Net	<u>\$12,288,340</u>	<u>(\$100,665)</u>	<u>\$0</u>	<u>\$12,187,675</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

*Depreciation expense was charged to governmental activities as follows:

General Government	\$98,507
Security of Persons and Property	78,298
Leisure Time Activities	11,486
Public Health	1,204
Transportation	1,374,177
Basic Utility Services	38,728
Community Environment	16,919
Total Depreciation Expense	\$1,619,319

Note 10 - Interfund Transfers

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2003, consisted of a transfer of \$150,000 from the capital improvement capital projects fund to the bond retirement debt service fund for the retirement of debt.

B. Interfund Balances

Interfund Payable	Interfund Receivable				Totals
	Federal Assistance Grant	Capital Projects	Municipal Court Computer	Garbage	
General	\$229,318	\$838,900	\$142,045	\$4,278	\$1,214,541
Other Governmental Funds:					
General Obligation					
Bond Retirement	0	0	0	7,677	7,677
Totals	\$229,318	\$838,900	\$142,045	\$11,955	\$1,222,218

The general fund and the general obligation bond retirement fund had a deficit cash balance of \$1,214,541 and \$7,677, respectively, as December 31, 2003. This deficit is caused by expenditures exceeding revenues and by the recognition of expenditures on the modified accrual basis of accounting. The following funds advanced money to the general fund to cover the negative cash: capital projects, federal assistance grant, municipal court computer capital projects fund and the garbage special revenue fund.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

Note 11 - Long-Term Obligations

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

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

A schedule of changes in bonds and other long-term obligations of the City during 2003 follows:

	Amount			Amount	
	Outstanding 12/31/2002	Additions	Deletions	Outstanding 12/31/2003	Amounts Due In One Year
Business-Type Activities:					
<i>Ohio Water Development Authority Loans</i>					
2002 5.65% OWDA Water and Sewer Loan	\$672,660	\$0	(\$31,003)	\$641,657	\$32,779
1998 6.36% Water Distribution	370,566	0	(15,489)	355,077	16,474
1996 6.87% Lakes Project	1,977,584	0	(99,018)	1,878,566	105,820
1997 6.36% Liberty Water	39,317	0	(1,732)	37,585	1,842
1988 8.48% Sewer Plant	1,778,015	0	(302,519)	1,475,496	325,129
<i>Total Ohio Water Development</i>	4,838,142	0	(449,761)	4,388,381	482,044
Compensated Absences	186,859	64,664	(71,736)	179,787	23,808
Capital Leases	72,348	0	(35,186)	37,162	37,162
<i>Total Business-Type Activities Obligations</i>	<u>\$5,097,349</u>	<u>\$64,664</u>	<u>(\$556,683)</u>	<u>\$4,605,330</u>	<u>\$543,014</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

	Amount Outstanding 12/31/2002	Additions	Deletions	Amount Outstanding 12/31/2003	Amounts Due In One Year
Governmental Activities Obligations:					
<i>Loans Payable</i>					
Justice Center 5.41%	\$3,720,072	\$0	(\$147,972)	\$3,572,100	\$155,125
Street Widening 5.75%	2,230,392	0	(81,547)	2,148,845	85,489
Ohio Edison 0%	555,000	0	(120,000)	435,000	120,000
Ohio Public Works Commission Loan 0%	141,815	0	(8,595)	133,220	8,595
Capital Improvement Loan 5.34%	18,571	0	(9,285)	9,286	9,286
<i>Total Loans Payable</i>	6,665,850	0	(367,399)	6,298,451	378,495
Capital Leases	120,028	0	(82,777)	37,251	37,251
Compensated Absences	707,839	348,223	(205,500)	850,562	66,072
Police and Fire Pension	300,857	0	(4,433)	296,424	4,623
<i>Total Governmental Activities Obligations</i>	<u>\$7,794,574</u>	<u>\$348,223</u>	<u>(\$660,109)</u>	<u>\$7,482,688</u>	<u>\$486,441</u>

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

The City's overall legal debt margin was \$11,706,790 at December 31, 2003. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003, are as follows:

Governmental Activities:

	Long-Term Loans		Police and Fire Pension		OPWC Loan	Totals
	Principal	Interest	Principal	Interest	Principal	
2004	\$369,900	\$267,573	\$4,623	\$12,550	\$8,595	\$663,241
2005	372,244	255,445	4,822	12,351	8,595	653,457
2006	384,438	243,251	5,029	12,144	8,595	653,457
2007	352,220	230,469	5,243	11,930	8,595	608,457
2008	290,620	217,069	5,467	11,706	8,595	533,457
2009-2013	1,677,912	860,593	31,083	54,782	42,975	2,667,345
2014-2018	2,124,603	413,902	38,549	47,316	42,975	2,667,345
2019-2023	593,294	23,172	47,610	38,255	4,295	706,626
2024-2028	0	0	57,560	28,305	0	85,865
2029-2033	0	0	67,148	18,717	0	85,865
2034-2035	0	0	29,290	5,056	0	34,346
Total	<u>\$6,165,231</u>	<u>\$2,511,474</u>	<u>\$296,424</u>	<u>\$253,112</u>	<u>\$133,220</u>	<u>\$9,359,461</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

Business-Type Activities:

	OWDA Loans	
	Principal	Interest
2004	\$482,044	\$314,948
2005	519,928	277,065
2006	560,831	236,162
2007	604,998	191,995
2008	202,438	144,305
2009-2013	1,230,522	503,193
2014-2017	787,620	93,207
Total	\$4,388,381	\$1,760,875

Note 12 - 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 2003, the City contracted with Love Insurance, Incorporated for various types of insurance as follows:

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

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

B. Employee Insurance Benefits

The City has elected to provide medical benefits to its employees through a self insured program. The maintenance of these benefits are accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$100,000 per individual and \$1,000,000 for the City as a whole. Incurred but not reported claims of \$27,979 have been accrued as a liability based on a review of January, 2004 billings provided by the City Auditor's Office.

The claims liability of \$27,979 reported in the internal service fund at December 31, 2003 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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

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 2002 and 2003 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2002	\$49,485	\$839,676	\$868,851	\$20,310
2003	20,310	830,467	822,798	27,979

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 13 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The City's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the City's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$199,056, \$193,258, and \$243,239, respectively; 78.88 percent has been contributed for 2003 and 100 percent for 2002 and 2001. Contributions to the member-directed plan for 2003 were \$99 made by the City and \$62 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the City is required to contribute 11.75 percent for police officers and 16.25 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the Fund for police and firefighters were \$112,873 and \$148,360 for the year ended December 31, 2003, \$109,586 and \$144,038 for the year ended December 31, 2002, and \$125,611 and \$127,351 for the year ended December 31, 2001. The full amount has been contributed for 2002 and 2001. 82.1 percent for police and 87.7 percent for firefighters has been contributed for 2003 with the remainder being reported as a liability.

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, 2003, the unfunded liability of the City was \$296,424 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

Note 14 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

City of Girard, Ohio
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For The Year Ended December 31, 2003

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$116,407. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2003. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The City's actual contributions for 2003 that were used to fund postemployment benefits were \$74,448 for police and \$170,756 for firefighters. The OP&F's total health care expense for the year ended December 31, 2002, (the latest information available) was \$141,028,006, which was net of member contributions of \$12,623,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2002, was 13,527 for police and 10,396 for firefighters.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

Note 15 - Jointly Governed Organizations

A. Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is committed to foster cooperative regional efforts in the planning, programming, and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township 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 2003, the City contributed \$3,816 to the Eastgate Development and Transportation Agency.

B. Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 2003, the City contributed \$2,289 to the Emergency Management Agency.

Note 16 - Contingencies

A. Litigation

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

B. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2003.

Note 17 – Capital Leases

The City has existing leases for a pumper truck and an automated water meter. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and have been recorded on the government-wide statements. The equipment and vehicle have been capitalized in the amount of \$343,999, the present value of the minimum lease payments at the inception of the lease.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2003

The assets acquired through capital leases are as follows:

<i>Asset:</i>	Governmental Activities	Business-Type Activities
Equipment	\$0	\$167,079
Vehicles	176,920	0
Historical Cost	176,920	167,079
Less: Accumulated Depreciation	(141,536)	(66,831)
Total Book Value as of December 31, 2003	<u>\$35,384</u>	<u>\$100,248</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments are as follows:

	Governmental Activities	Business-Type Activities
Year Ending December 31, 2003	\$39,333	\$38,712
Less: Amount Representing Interest	(2,082)	(1,550)
Present Value of Minimum Lease	<u>\$37,251</u>	<u>\$37,162</u>

Note 18 – Subsequent Event

The City placed a 3 mill fire levy and a 3 mill police levy on the November 2, 2004 ballot. The 3 mill fire levy passed and will generate approximately \$333,000 annually for the next five years. The 3 mill police levy did not pass.

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grant			
Community Housing Improvement Program	A-F-02-127-1	14.228	23,582
Formula Allocation Program	A-F-03-127-1		10,575
	A-F-02-127-1		33,302
Community Distress Program	A-X-01-127-1		280,666
Sub-Total Community Development Block Grant			348,125
HOME Investment Partnership Program			
	A-C-03-127-2	14.239	5,770
	A-C-01-127-2		58,895
Sub-Total Home Investment Partnership Program			64,665
Total U.S. Department of Housing and Urban Development			412,790
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<i>Passed Through Ohio Department of Public Safety:</i>			
Major Disaster Designation Public Assistance Grant Program	FEMA-1484-DR-155-30198	83.544	787,329
Total U.S. Federal Emergency Management Agency			787,329
<u>U.S. DEPARTMENT OF OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Aging:</i>			
Title III-B Older American Act		93.044	32,325
Total U.S. Department of Health and Human Services			32,325
Total			\$1,232,444

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

**CITY OF GIRARD
TRUMBULL COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—MATCHING REQUIREMENTS

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 12, 2005, wherein we noted conditions raising substantial doubt about the City's ability to continue as a going concern. We have also qualified the report due to the lack of evidential matter related to the charges for services revenue in the Other Governmental Funds for the year ending December 31, 2003. We noted the City adopted Government Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain instances of noncompliance that we have reported to management of the City in a separate letter dated April 12, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable condition is described in the accompanying schedule of findings as item 2003-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2003-004 to be material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated April 12, 2005.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 12, 2005



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND 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 City Council:

Compliance

We have audited the compliance of the City of Girard, Trumbull County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as items 2003-005. We also noted instances of noncompliance that do not require inclusion in this report that we have reported to management of the City in a separate letter dated April 12, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, City Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

April 12, 2005

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA # 14.239--Home Improvement Partnerships Program (HOME) CFDA # 14.228--Community Housing Improvement Program (CDBG) CFDA # 83.544--Public Assistance Grant Program (FEMA)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: > \$ 100,000
(d)(1)(ix)	Low Risk Auditee?	No

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

The comments appearing with an asterisk (*) denotes a comment that was previously brought to management's attention for which corrective action has not been taken.

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)**

MATERIAL CITATIONS

Finding Number	2003-001
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Ohio Revised Code Section 118.06(A) states, in part, that within one hundred twenty days after the first meeting of the financial planning and supervision commission, the mayor of the municipal corporation shall submit the commission a detailed financial plan, as approved or amended and approved by ordinance or resolution of the legislative authority, containing the following:

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

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

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

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

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

**CITY OF GIRARD
TRUMBULL COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)**

Finding Number	2003-001- Continued
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The existing plan was submitted to the Financial and Supervision Commission on February 25, 2002. The plan may be obtained by contacting the City of Girard. The City has not followed through on numerous actions detailed in this plan. The City also has not updated the plan annually as requested by the Financial and Supervision Commission nor prepared or submitted a five year financial forecast as requested by the Financial and Supervision Commission.

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

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

Finding Number	2003-002
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Ohio Revised Code Section 5705.10 states, in part, that money paid into any fund shall be used only for the purpose for which the fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

On December 31, 2003 the following funds had negative cash fund balances:

General Fund	(\$1,185,248)
Agency Reimbursement Fund	(\$ 42,457)
Capital Improvement Reimbursement Fund	(\$ 460,596)
General Bond Fund	(\$ 7,677)

Of the four funds listed above only the General Bond Fund did not have a deficit fund balance at the time the City was placed in Fiscal Emergency or December 31, 2002. This deficit fund balance represents a new fund deficit as of December 31, 2003.

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

Finding Number	2003-003 *
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Ohio Revised Code Section 5705.41(D) states, in part, that no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

CITY OF GIRARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)

Finding Number	2003-003 * Continued
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1. **Then and Now Certificate:** If the fiscal officer can certify that both at the time that the contract or order was made “then” at the time that he is completing his certification “now”, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

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

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

The City did not always certify funds at the time of commitment. We noted 33%, (23 of 69 items), of the expenditures tested were not properly certified. Incurring obligations prior to the fiscal officer’s certification could result in the City spending in excess of their appropriations.

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

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

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)**

Finding Number	2003-004 *
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Material Weakness- Ambulance Billing Receipts

The City utilizes an independent service organization, L & S Medical Billing, to process ambulance run billings, a significant accounting function, on behalf of the City. The following control weaknesses were noted in the ambulance billing and collection cycle of the City:

- A. L & D Medical Billing provides monthly reports to the City for its review. The reports list all billings processed on behalf of the City. These reports are not being utilized by the City personnel to monitor whether ambulance runs are being properly billed and collected.
- B. The City has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that ambulance billings have not been completely and accurately processed in accordance to the established contract between the City and L & D Medical Billing.

The above weaknesses can result in incomplete collection of ambulance receipts and untimely recognition of ambulance billing collections by the City.

To help ensure that ambulance receipts are accurately reported, we recommend the following:

- 1. The City should implement procedures to reasonably assure the completeness and accuracy of ambulance billings processed by its third-party administrator, L & D Medical Billing. The City should select a sample of ambulance runs from the EMS department, and compare them to reports L & D Medical Billing submits to the City, to help determine that all ambulance runs have been billed.
- 2. The City should specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be performed. The City should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide the City with a Tier II SAS 70 report, the City should contract with a third-party administrator that will provide such a report.

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

1. Project Request Procedures

Finding Number	2003-005 *
CFDA Title and Number	Home Improvement Partnerships Program (HOME) CFDA # 14.239 Community Housing Improvement Program (CDBG) CFDA #14.228
Federal Award Number / Year	A-C-01-127-2, August 1, 2000 to September 30, 2003 A-C-01-127-1, August 1, 2000 to September 30, 2003 A-F-01-127-1, September 1, 2001 to February28, 2003 A-X-01-127-1, May 1, 2002 to June 30, 2004
Federal Agency	Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

Noncompliance Finding

The **Office of Housing and Community Partnerships (OHCP) Financial Management Rules and Regulations Handbook Section (A)(3)(f)** states that grantees must develop a cash management system to ensure that disbursement of requested funds are made within 15 days. The 15 day rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse funds on hand to a balance of less than \$5,000 within fifteen days of receipt of grant funds. Lump sum draw down requests are not permitted.

Contrary to the requirements listed above, the City of Girard did not request HOME and CDBG receipts during 2003 to be based on actual expenditures paid within 15 days of the collection of the requested funds. Our tests documented 62% of the draw downs were not expended within 15 days and excess cash balances ranged from \$74,658 to 29,934 during fiscal year 2003.

The City Auditor and CT Consultants (Administrator of the City's CDBG and CHIP program activities), should develop policies and procedures to ensure that the City complies with this requirement. These procedures should ensure that draw down requests are only filed for the exact amount needed for approved HOME expenditures and that checks are issued to the appropriate parties within 15 days of the collection of the requested funds.

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2002-001	ORC 5705.41 (B) - Actual Expenditures Exceed Appropriations.	Yes	
2002-002	ORC 5705.39 - Appropriations Exceeded Total Estimated Revenues.	No	This finding was reissued in the management letter.
2002-003	ORC 5705.41 (D) - Proper Certification.	No	This finding was reissued as finding number 2003-003.
2002-004	ORC 5705.14, 5705.15 and 5705.16 – Transfers.	No	This finding was reissued in the management letter.
2002-005	The City failed to have a complete fixed asset listing for the General Fixed Asset Account Group and the Enterprise Fund. In addition, the City does not have a system to identify fixed asset purchases and deletions, nor do they have an inventory identification system.	No	This finding was reissued in the management letter.
2002-006	The City's service organization utilized for the billing of ambulance billing failed to have a SAS -70 report. In addition the City had no controls to reduce the risk of misstatement in regards to the billing and collecting fees for the use of the City's ambulance service.	No	This finding was reissued as finding number 2003-004.

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> : <i>Explain:</i>
2002-007	<p>The City failed to expend Home Improvement Partnership Program and Community Development Block Grant funds within 15 days of receipt.</p> <p>The Office of Housing and Community Partnerships (OHCP) Financial Management Rules and Regulations Handbook Section (A)(3)(f) requires grantees to develop a cash management system to ensure that disbursements of requested funds are made within 15 days.</p>	No	This finding was reissued as finding number 2003-005.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JUNE 21, 2005**