



Dave Yost • Auditor of State

**CITY OF GIRARD
TRUMBULL COUNTY
DECEMBER 31, 2014**

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TRUMBULL COUNTY
DECEMBER 31, 2014

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To Honorable Mayor and City Council:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Garbage Fund	Unmodified
CHIP Fund	Unmodified
Street Construction, Maintenance & Repair Fund	Unmodified
Fire Levy Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Business-Type Activities, Water Fund, and Sewer Fund

Management has not adopted a methodology for calculating an actual accounts receivable balance in the business-type activities, Water Fund, and Sewer Fund and, accordingly, has not considered the need to provide an allowance for uncollectible amounts. Accounting principles generally accepted in the United States of America require that an adequate allowance be provided for uncollectible receivables, which would decrease the assets, deferred inflows of resources and net positions and change the revenues in the business-type activities, Water Fund, and Sewer Fund. We cannot reasonably determine the amount by which this departure would affect the assets, deferred inflows of resources, net positions and revenues of the business-type activities, Water Fund, and Sewer Fund.

Qualified Opinions

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Business-Type Activities, Water Fund, and Sewer Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, Water Fund, and Sewer Fund of the City of Girard, Trumbull County, Ohio, as of December 31, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the General Fund, the Garbage Fund, the CHIP Fund, the Street Construction, Maintenance & Repair Fund, the Fire Levy Fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2014, and the respective changes in its financial position thereof and the respective budgetary comparisons for the General Fund, Garbage Fund, CHIPS Fund, Street Construction, Maintenance and Repair Fund and Fire Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2017

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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, 2014. 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 2014 are as follows:

- The US422 corridor has experienced significant economic growth due to the recent historic expansion and investments made by V&M Star and anticipated future development related to V&M Star and the emerging energy industry. US422 is a major highway connecting communities from Pennsylvania into Cleveland, Ohio, including the cities of Youngstown and Girard.
- The City purchased several new police vehicles. These purchases partially offset the decrease in governmental capital assets that resulted due to an additional year of depreciation.
- Outstanding obligations decreased during 2014 due to the City continuing to pay down debt.

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

Reporting on the City of Girard as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question.

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

These two statements report the City's *net position* and changes in net position. This change in net position 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 Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

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

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

Reporting on the Most Significant Funds of the City of Girard

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

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

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

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

The City of Girard as a Whole

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2014 as they compare to 2013.

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current and Other Assets	\$5,750,516	\$5,856,345	\$2,049,099	\$1,414,183	\$7,799,615	\$7,270,528
Capital Assets, Net	25,599,309	27,065,205	11,902,430	12,142,321	37,501,739	39,207,526
<i>Total Assets</i>	<u>31,349,825</u>	<u>32,921,550</u>	<u>13,951,529</u>	<u>13,556,504</u>	<u>45,301,354</u>	<u>46,478,054</u>
Liabilities						
Current Liabilities	447,293	444,475	210,166	557,102	657,459	1,001,577
Long-term Liabilities						
Due within one Year	381,773	332,546	722,025	678,741	1,103,798	1,011,287
Due in More than one Year	3,605,117	3,998,073	1,362,246	1,989,376	4,967,363	5,987,449
<i>Total Liabilities</i>	<u>4,434,183</u>	<u>4,775,094</u>	<u>2,294,437</u>	<u>3,225,219</u>	<u>6,728,620</u>	<u>8,000,313</u>
Deferred Inflows of Resources	<u>\$1,085,339</u>	<u>\$1,129,946</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,085,339</u>	<u>\$1,129,946</u>

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

(Table 1)
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Net Position						
Net Investment in Capital Assets	\$22,644,223	\$23,724,696	\$10,048,473	\$9,700,694	\$32,692,696	\$33,425,390
Restricted for:						
Capital Projects	419,771	282,222	0	0	419,771	282,222
Debt Service	213,323	233,560	0	0	213,323	233,560
State Highway Maintenance	77,177	72,527	0	0	77,177	72,527
Street Resurfacing and Traffic Lights	75,549	83,068	0	0	75,549	83,068
Garbage Collection	194,151	224,275	0	0	194,151	224,275
Other Purposes	1,616,237	1,432,365	0	0	1,616,237	1,432,365
Unrestricted	589,872	963,797	1,608,619	630,591	2,198,491	1,594,388
Total Net Position	\$25,830,303	\$27,016,510	\$11,657,092	\$10,331,285	\$37,487,395	\$37,347,795

By comparing assets, liabilities and deferred inflows of resources one can see the net position of the governmental activities has decreased due to expenses exceeding revenues while for business-type activities, there was an increase in net position due to increased charges for services collected. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal year 2014 and 2013.

(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services and Assessments	\$1,398,293	\$1,510,076	\$6,588,119	\$5,164,236	\$7,986,412	\$6,674,312
Operating Grants and Contributions	1,688,123	1,541,614	17,062	30,363	1,705,185	1,571,977
Capital Grants	0	898,100	0	0	0	898,100
Total Program Revenues	3,086,416	3,949,790	6,605,181	5,194,599	9,691,597	9,144,389
General Revenues						
Property Taxes	1,118,416	1,115,334	0	0	1,118,416	1,115,334
Municipal Income Tax	4,129,225	4,003,589	0	0	4,129,225	4,003,589
Local Permissive Taxes	179,363	180,069	0	0	179,363	180,069
Grants and Entitlements not Restricted to Specific Programs	275,378	454,053	0	0	275,378	454,053
Gain on Sale of Capital Asset	0	3,270	0	0	0	3,270
Interest	2,264	1,443	0	0	2,264	1,443
Miscellaneous	135,276	179,778	19,026	29,842	154,302	209,620
Total General Revenues	5,839,922	5,937,536	19,026	29,842	5,858,948	5,967,378
Total Revenues	\$8,926,338	\$9,887,326	\$6,624,207	\$5,224,441	\$15,550,545	\$15,111,767

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

(Table 2)
Changes in Net Position (continued)

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Program Expenses						
General Government	\$2,180,429	\$2,193,290	\$0	\$0	\$2,180,429	\$2,193,290
Security of Persons and Property	3,696,741	3,540,380	0	0	3,696,741	3,540,380
Public Health Services	255,053	189,069	0	0	255,053	189,069
Transportation	2,069,220	2,037,134	0	0	2,069,220	2,037,134
Community Development	1,004,763	797,692	0	0	1,004,763	797,692
Basic Utility Services	505,629	526,132	0	0	505,629	526,132
Leisure Time Activities	290,202	280,812	0	0	290,202	280,812
Interest and Fiscal Charges	110,508	124,022	0	0	110,508	124,022
Water	0	0	3,361,563	3,347,908	3,361,563	3,347,908
Sewer	0	0	1,936,837	2,086,200	1,936,837	2,086,200
<i>Total Program Expenses</i>	<u>10,112,545</u>	<u>9,688,531</u>	<u>5,298,400</u>	<u>5,434,108</u>	<u>15,410,945</u>	<u>15,122,639</u>
<i>Change in Net Position</i>	(1,186,207)	378,864	1,325,807	(209,667)	139,600	169,197
Net Position Beginning of Year	<u>27,016,510</u>	<u>26,817,715</u>	<u>10,331,285</u>	<u>10,540,952</u>	<u>37,347,795</u>	<u>37,358,667</u>
Net Position End of Year	<u>\$25,830,303</u>	<u>\$27,196,579</u>	<u>\$11,657,092</u>	<u>\$10,331,285</u>	<u>\$37,487,395</u>	<u>\$37,527,864</u>

Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The revenue collected from the income tax, less funds necessary to pay the administrative fees for the Regional Income Tax Authority (RITA) and to cover refunds, are receipted into the following funds: 87.0 percent went to the general fund (January through December), 10.4 percent went to the general obligation bond retirement fund (January through December), 1.1 percent went to the garbage fund (January through December), 1.2 percent went to the recreation fund (January through December) and 0.3 percent went to the capital improvement fund (January through December).

Charges for services decreased in the governmental activities primarily as a result of decreased revenue from fines and forfeitures. The decrease in governmental activities capital grants and contributions resulted from the City receiving \$698,566 in a performance bond in the prior year. Property taxes increased only slightly due to a small increase in collections compared to the prior year.

Local government funding has decreased State-wide for the past several years. This is a direct result of the poor economic conditions and their subsequent effect on the State as a whole.

The largest governmental activities expenses are for the police and fire departments. The police department employs sixteen officers including the police chief and one full-time and seven part-time dispatchers. The fire department employs thirteen full-time positions.

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Business-Type Activities

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated operating revenues of \$4,227,401 from water and \$2,360,718 from the sewer plant facility. Water and sewer expenses including interest and fiscal charges for 2014 amounted to \$3,361,563 and \$1,936,837, respectively. For 2014, 6,200 water customers and 4,100 sewer customers were serviced. Approximately 45 million gallons are billed and processed on a monthly basis.

The City's Funds

Information about the City's governmental funds begins with the balance sheet. The funds are accounted for using the modified accrual method of accounting. The general fund balance decreased as a result of decreases in intergovernmental and fine and forfeitures revenues received coupled with increases in security of persons and property expenditures as a result of vehicle purchases, however the general fund concluded the year with a positive fund balance as the City carefully watched all expenditures to ensure fiscal solvency.

During 2014, the garbage special revenue fund balance decreased as a result of the City spending more on basic utility services during the year. During 2014, the CHIPS special revenue fund balance decreased due to the City spending more on community development during the year. During 2014, the street construction maintenance and repair special revenue fund balance increased as a result of revenues exceeding expenditures during the year. During 2014, the fire levy special revenue fund balance decreased as a result of expenditures exceeding revenues during the year.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$6,588,119 and total operating expenses of \$5,206,577. The City has the power to increase revenue through rate increases.

General Fund Budgeting Highlights

Budgeting for the operations of the City is done as prescribed by Ohio Revised Code. Essentially the budget is the City's appropriations, which is restricted by the amounts of the anticipated revenues certified by the Budget Commission in accordance with Ohio Revised Code. In 2014, actual revenues for the general fund were higher than final estimated revenues due to more than anticipated income tax collections coming in during the year. The City's actual expenditures were less than final appropriations due mainly to lower than anticipated public health service expenditures.

The original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year. During the course of 2014, the City amended its general fund budget numerous times.

Capital Assets and Debt Administration

Capital Assets

Total capital assets for the governmental activities, net of accumulated depreciation decreased from the prior year because of an additional year of accumulated depreciation being taken. This decrease was partially offset by the purchase of vehicles for transportation and safety operations.

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

City of Girard
Management's Discussion and Analysis
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Unaudited

See Note 8 to the basic financial statements for additional information on capital assets.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvement	6,698,498	6,785,967	5,735,972	5,858,661	12,434,470	12,644,628
Furniture and Equipment	151,051	177,535	1,615,249	1,704,770	1,766,300	1,882,305
Vehicles	1,432,035	1,434,221	67,789	75,287	1,499,824	1,509,508
Infrastructure						
Streets	12,660,309	13,711,418	0	0	12,660,309	13,711,418
Sidewalks	3,094,502	3,352,378	0	0	3,094,502	3,352,378
Curbs	489,274	530,046	0	0	489,274	530,046
Water and Sewer Lines	0	0	296,251	316,434	296,251	316,434
Total Capital Assets	\$25,599,309	\$27,065,205	\$11,902,430	\$12,142,321	\$37,501,739	\$39,207,526

Long-term Obligations

The long-term obligations include notes payable, special obligation bonds, OPWC and OWDA loans, capital leases, compensated absences and police and fire pensions.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes Payable	\$2,810,502	\$3,122,780	\$0	\$0	\$2,810,502	\$3,122,780
Special Obligation Bonds	0	0	1,336,884	1,615,000	1,336,884	1,615,000
OPWC Loan	42,974	51,569	0	0	42,974	51,569
OWDA Loans	0	0	517,073	826,627	517,073	826,627
Capital Leases	101,610	166,160	0	0	101,610	166,160
Compensated Absences	798,707	749,955	230,314	226,490	1,029,021	976,445
Police and Fire Pension	233,097	240,155	0	0	233,097	240,155
Total	\$3,986,890	\$4,330,619	\$2,084,271	\$2,668,117	\$6,071,161	\$6,998,736

Notes payable are being paid from the bond retirement fund. The interest rate on the notes was 3.22 percent.

The special obligation bonds are being paid from the water and sewer funds for the purchase of water and sewer meters. The interest rate on the bonds is 3.49 percent.

The OPWC loan is being paid with monies from the street construction, maintenance and repair special revenue fund.

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

City of Girard
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Unaudited

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the street permissive special revenue fund. These expenditures are reflected as program expenditures on a budgetary basis.

Compensated absences will be paid from the following funds: the general fund, the street construction maintenance and repair special revenue fund and the water and sewer enterprise funds.

The City pays semi-annual installments on the police and fire pension liability incurred when the State of Ohio established the State wide pension system for police and firemen in 1967.

The City of Girard's overall legal debt margin was \$9,228,711 on December 31, 2014. For more information about the City's long-term obligations, see Notes 9 and 12 to the basic financial statements.

Current Financial Issues

The Administration provided strong fiscal management, holding general operating expenses in check while maintaining City services at a high level in 2014. But with decreasing revenues from Federal and State sources and increasing expenses, the City is going to see some tougher times in the coming years.

The challenge for the City is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The City relies heavily on local taxes and has very little industry to support the tax base. Faced with declining revenues, increased costs for goods and services, primarily energy costs, the City is attempting to hold down on expenditures wherever possible, and keep personnel costs in check.

Contacting the City of Girard's Financial Management

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

City of Girard, Ohio
Statement of Net Position
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,306,491	\$290,036	\$1,596,527
Accrued Interest Receivable	146	0	146
Accounts Receivable	481	1,969,460	1,969,941
Internal Balances	269,137	(269,137)	0
Intergovernmental Receivable	1,047,424	0	1,047,424
Property Taxes Receivable	1,378,257	0	1,378,257
Income Taxes Receivable	1,548,214	0	1,548,214
Local Permissive Taxes Receivable	71,569	0	71,569
Special Assessments Receivable	13,339	33,129	46,468
Loans Receivable	94,458	0	94,458
Prepaid Items	21,000	25,611	46,611
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	24,525,669	7,715,261	32,240,930
<i>Total Assets</i>	<u>31,349,825</u>	<u>13,951,529</u>	<u>45,301,354</u>
Liabilities			
Accounts Payable	36,666	29,956	66,622
Contracts Payable	17,007	56,204	73,211
Accrued Wages	103,081	32,505	135,586
Intergovernmental Payable	197,273	60,022	257,295
Accrued Interest Payable	1,843	31,479	33,322
Claims Payable	91,423	0	91,423
Long-Term Liabilities:			
Due Within One Year	381,773	722,025	1,103,798
Due In More Than One Year	3,605,117	1,362,246	4,967,363
<i>Total Liabilities</i>	<u>4,434,183</u>	<u>2,294,437</u>	<u>6,728,620</u>
Deferred Inflows of Resources			
Property Taxes	1,085,339	0	1,085,339
Net Position			
Net Investment in Capital Assets	22,644,223	10,048,473	32,692,696
Restricted for:			
Capital Projects	419,771	0	419,771
Debt Service	213,323	0	213,323
State Highway Maintenance	77,177	0	77,177
Street Resurfacing and Traffic Lights	75,549	0	75,549
Garbage Collection	194,151	0	194,151
Other Purposes	1,616,237	0	1,616,237
Unrestricted	589,872	1,608,619	2,198,491
<i>Total Net Position</i>	<u>\$25,830,303</u>	<u>\$11,657,092</u>	<u>\$37,487,395</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2014

	Program Revenues		
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions
Governmental Activities:			
General Government	\$2,180,429	\$574,103	\$0
Security of Persons and Property	3,696,741	446,504	63,948
Public Health Services	255,053	77,690	3,520
Transportation	2,069,220	2,612	955,804
Community Development	1,004,763	260,845	560,814
Basic Utility Services	505,629	0	72,428
Leisure Time Activities	290,202	36,539	31,609
Interest and Fiscal Charges	110,508	0	0
<i>Total Governmental Activities</i>	<u>10,112,545</u>	<u>1,398,293</u>	<u>1,688,123</u>
Business-Type Activities:			
Water	3,361,563	4,227,401	2,801
Sewer	1,936,837	2,360,718	14,261
<i>Total Business-Type Activities</i>	<u>5,298,400</u>	<u>6,588,119</u>	<u>17,062</u>
<i>Total</i>	<u><u>\$15,410,945</u></u>	<u><u>\$7,986,412</u></u>	<u><u>\$1,705,185</u></u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Garbage
- Fire
- Police
- Cemetery
- Senior Services

Income Taxes Levied for:

- General Purposes
- Debt Service
- Capital Projects
- Garbage

Local Permissive Taxes

Grants and Entitlements not Restricted
to Specific Programs

Interest

Other

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,606,326)	\$0	(\$1,606,326)
(3,186,289)	0	(3,186,289)
(173,843)	0	(173,843)
(1,110,804)	0	(1,110,804)
(183,104)	0	(183,104)
(433,201)	0	(433,201)
(222,054)	0	(222,054)
(110,508)	0	(110,508)
(7,026,129)	0	(7,026,129)
0	868,639	868,639
0	438,142	438,142
0	1,306,781	1,306,781
(7,026,129)	1,306,781	(5,719,348)
215,702	0	215,702
375,953	0	375,953
307,941	0	307,941
29,492	0	29,492
18,973	0	18,973
170,355	0	170,355
3,711,229	0	3,711,229
386,954	0	386,954
11,723	0	11,723
19,319	0	19,319
179,363	0	179,363
275,378	0	275,378
2,264	0	2,264
135,276	19,026	154,302
5,839,922	19,026	5,858,948
(1,186,207)	1,325,807	139,600
27,016,510	10,331,285	37,347,795
\$25,830,303	\$11,657,092	\$37,487,395

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2014

	General	Garbage	CHIPS	Street Construction Maintenance and Repair	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$2,211	\$52,787	\$24,483	\$358,069	\$0	\$836,508	\$1,274,058
Receivables:							
Property Taxes	263,623	469,886	0	0	341,102	303,646	1,378,257
Income Taxes	1,394,662	7,489	0	0	0	146,063	1,548,214
Local Permissive Taxes	0	0	0	0	0	71,569	71,569
Accounts	481	0	0	0	0	0	481
Intergovernmental	113,873	34,012	550,000	245,254	27,337	76,948	1,047,424
Special Assessments	13,339	0	0	0	0	0	13,339
Accrued Interest	146	0	0	0	0	0	146
Interfund Receivable	255,220	0	0	0	0	0	255,220
Prepaid Items	17,750	0	0	1,750	0	1,500	21,000
Loans Receivable	0	0	0	0	0	94,458	94,458
Restricted Assets:							
Equity in Pooled Cash and Cash Equivalents	30,768	0	0	0	0	0	30,768
Total Assets	\$2,092,073	\$564,174	\$574,483	\$605,073	\$368,439	\$1,530,692	\$5,734,934
Liabilities							
Accounts Payable	\$24,203	\$0	\$0	\$9,453	\$0	\$3,010	\$36,666
Contracts Payable	1,158	0	0	15,849	0	0	17,007
Accrued Wages	92,899	0	0	6,706	0	3,476	103,081
Intergovernmental Payable	157,932	0	0	20,352	17,083	1,906	197,273
Interfund Payable	47,404	0	0	8,351	16,355	3,731	75,841
Total Liabilities	323,596	0	0	60,711	33,438	12,123	429,868
Deferred Inflows of Resources							
Property Taxes	207,595	370,023	0	0	268,609	239,112	1,085,339
Unavailable Revenue	1,317,813	140,150	550,000	204,993	99,830	285,600	2,598,386
Total Deferred Inflows of Resources	1,525,408	510,173	550,000	204,993	368,439	524,712	3,683,725
Fund Balances							
Nonspendable	48,518	0	0	1,750	0	1,500	51,768
Restricted	3,667	54,001	24,483	337,619	0	992,357	1,412,127
Assigned	190,884	0	0	0	0	0	190,884
Unassigned (Deficit)	0	0	0	0	(33,438)	0	(33,438)
Total Fund Balances (Deficit)	243,069	54,001	24,483	339,369	(33,438)	993,857	1,621,341
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$2,092,073	\$564,174	\$574,483	\$605,073	\$368,439	\$1,530,692	\$5,734,934

See accompanying notes to the basic financial statements

City of Girard, Ohio
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2014*

Total Governmental Fund Balances	\$1,621,341
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	25,599,309
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	292,918
Income Taxes	1,297,226
Local Permissive Taxes	57,625
Intergovernmental	937,278
Special Assessments	13,339
Total	2,598,386
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,843)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes Payable	(2,810,502)
OPWC Loans Payable	(42,974)
Capital Leases	(101,610)
Compensated Absences	(798,707)
Police and Fire Pension Loan	(233,097)
Total	(3,986,890)
 <i>Net Position of Governmental Activities</i>	 <u><u>\$25,830,303</u></u>

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, 2014

	General	Garbage	CHIPS	Street Construction Maintenance and Repair	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$214,990	\$371,421	\$0	\$0	\$277,038	\$247,280	\$1,110,729
Municipal Income Taxes	3,534,739	41,017	0	0	0	411,723	3,987,479
Local Permissive Taxes	0	0	0	0	0	180,037	180,037
Special Assessments	14,885	0	0	0	0	0	14,885
Charges for Services	0	0	0	0	0	44,637	44,637
Fees, Licenses and Permits	245,802	0	0	0	0	0	245,802
Fines and Forfeitures	525,640	0	0	0	0	546,686	1,072,326
Intergovernmental	273,927	72,333	354,172	869,441	52,643	104,825	1,727,341
Interest	54	0	0	0	0	2,210	2,264
Rentals	18,090	0	0	0	0	0	18,090
Contributions and Donations	0	0	0	0	0	1,830	1,830
Other	131,796	0	0	3,051	0	429	135,276
<i>Total Revenues</i>	<u>4,959,923</u>	<u>484,771</u>	<u>354,172</u>	<u>872,492</u>	<u>329,681</u>	<u>1,539,657</u>	<u>8,540,696</u>
Expenditures							
Current:							
General Government	2,089,773	0	0	0	0	0	2,089,773
Security of Persons and Property	3,172,448	0	0	0	342,923	67,928	3,583,299
Public Health Services	138,306	0	0	0	0	110,301	248,607
Transportation	19,619	0	0	772,259	0	160,901	952,779
Community Development	0	0	445,080	0	0	259,177	704,257
Basic Utility Services	0	497,824	0	0	0	0	497,824
Leisure Time Activities	82,003	0	0	0	0	202,077	284,080
Capital Outlay	0	0	0	0	0	126,770	126,770
Debt Service:							
Principal Retirement	0	0	0	8,595	0	383,886	392,481
Interest and Fiscal Charges	0	0	0	0	0	110,599	110,599
<i>Total Expenditures</i>	<u>5,502,149</u>	<u>497,824</u>	<u>445,080</u>	<u>780,854</u>	<u>342,923</u>	<u>1,421,639</u>	<u>8,990,469</u>
<i>Net Change in Fund Balances</i>	(542,226)	(13,053)	(90,908)	91,638	(13,242)	118,018	(449,773)
<i>Fund Balances (Deficit)</i>							
<i>Beginning of Year</i>	<u>785,295</u>	<u>67,054</u>	<u>115,391</u>	<u>247,731</u>	<u>(20,196)</u>	<u>875,839</u>	<u>2,071,114</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$243,069</u>	<u>\$54,001</u>	<u>\$24,483</u>	<u>\$339,369</u>	<u>(\$33,438)</u>	<u>\$993,857</u>	<u>\$1,621,341</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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$449,773)

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

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

Capital Asset Additions	120,217	
Depreciation	<u>(1,586,113)</u>	
 Total		 (1,465,896)

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

Delinquent Property Taxes	7,687	
Income Taxes	141,746	
Local Permissive Taxes	(674)	
Intergovernmental	234,330	
Special Assessments	<u>2,553</u>	
 Total		 385,642

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 392,481

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 91

Some expenses, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (48,752)

Change in Net Position of Governmental Activities (\$1,186,207)

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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$193,536	\$214,755	\$214,990	\$235
Municipal Income Taxes	2,911,321	3,351,914	3,470,631	118,717
Fees, Licenses and Permits	176,926	192,377	197,657	5,280
Fines and Forfeitures	544,775	604,504	523,465	(81,039)
Intergovernmental	240,638	267,021	269,916	2,895
Interest	47	52	54	2
Rentals	16,935	18,792	19,381	589
Other	109,389	113,708	117,754	4,046
<i>Total Revenues</i>	<u>4,193,567</u>	<u>4,763,123</u>	<u>4,813,848</u>	<u>50,725</u>
Expenditures				
Current:				
General Government	1,910,988	2,108,216	2,120,204	(11,988)
Security of Persons and Property	2,857,153	3,158,697	3,166,590	(7,893)
Public Health Services	159,146	160,071	124,875	35,196
Transportation	28,270	25,375	18,952	6,423
<i>Total Expenditures</i>	<u>4,955,557</u>	<u>5,452,359</u>	<u>5,430,621</u>	<u>21,738</u>
<i>Net Change in Fund Balance</i>	(761,990)	(689,236)	(616,773)	72,463
<i>Fund Balance Beginning of Year</i>	767,534	767,534	767,534	0
Prior Year Encumbrances Appropriated	<u>73,244</u>	<u>73,244</u>	<u>73,244</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$78,788</u></u>	<u><u>\$151,542</u></u>	<u><u>\$224,005</u></u>	<u><u>\$72,463</u></u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Garbage Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$369,739	\$367,322	\$371,421	\$4,099
Municipal Income Taxes	42,162	41,887	42,354	467
Intergovernmental	71,605	71,137	76,373	5,236
<i>Total Revenues</i>	483,506	480,346	490,148	9,802
Expenditures				
Current:				
Basic Utility Services	540,000	540,000	497,824	42,176
<i>Net Change in Fund Balance</i>	(56,494)	(59,654)	(7,676)	51,978
<i>Fund Balance Beginning of Year</i>	60,061	60,061	60,061	0
<i>Fund Balance End of Year</i>	<u>\$3,567</u>	<u>\$407</u>	<u>\$52,385</u>	<u>\$51,978</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIPS Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$400,000	\$412,000	\$466,782	\$54,782
Expenditures				
Current:				
Community Development	351,500	416,000	407,650	8,350
<i>Net Change in Fund Balance</i>	48,500	(4,000)	59,132	63,132
<i>Fund Balance Beginning of Year</i>	2,780	2,780	2,780	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$51,280</u>	<u>(\$1,220)</u>	<u>\$61,912</u>	<u>\$63,132</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
*Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget (Non-GAAP Basis) and Actual
 Street Construction, Maintenance and Repair Fund
 For the Year Ended December 31, 2014*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$827,084	\$827,084	\$824,648	(\$2,436)
Other	12,916	12,916	12,705	(211)
<i>Total Revenues</i>	<u>840,000</u>	<u>840,000</u>	<u>837,353</u>	<u>(2,647)</u>
Expenditures				
Current:				
Transportation	809,846	917,946	756,308	161,638
Debt Service:				
Principal Retirement	<u>8,595</u>	<u>8,595</u>	<u>8,595</u>	<u>0</u>
<i>Total Expenditures</i>	<u>818,441</u>	<u>926,541</u>	<u>764,903</u>	<u>161,638</u>
<i>Net Change in Fund Balance</i>	21,559	(86,541)	72,450	158,991
<i>Fund Balance Beginning of Year</i>	221,981	221,981	221,981	0
Prior Year Encumbrances Appropriated	<u>29,306</u>	<u>29,306</u>	<u>29,306</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$272,846</u></u>	<u><u>\$164,746</u></u>	<u><u>\$323,737</u></u>	<u><u>\$158,991</u></u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$281,874	\$280,547	\$277,038	(\$3,509)
Intergovernmental	53,562	53,310	52,643	(667)
<i>Total Revenues</i>	335,436	333,857	329,681	(4,176)
Expenditures				
Current:				
Security of Persons and Property	331,000	331,000	345,462	(14,462)
<i>Net Change in Fund Balance</i>	4,436	2,857	(15,781)	(18,638)
<i>Fund Balance (Deficit) Beginning of Year</i>	(574)	(574)	(574)	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$3,862</u>	<u>\$2,283</u>	<u>(\$16,355)</u>	<u>(\$18,638)</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$290,036	\$290,036	\$1,665
Accounts Receivable	1,358,327	611,133	1,969,460	0
Special Assessments Receivable	20,318	12,811	33,129	0
Prepaid Items	10,500	15,111	25,611	0
Interfund Receivable	0	0	0	89,758
<i>Total Current Assets</i>	<u>1,389,145</u>	<u>929,091</u>	<u>2,318,236</u>	<u>91,423</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	2,975,273	4,739,988	7,715,261	0
<i>Total Noncurrent Assets</i>	<u>4,662,442</u>	<u>7,239,988</u>	<u>11,902,430</u>	<u>0</u>
<i>Total Assets</i>	<u>6,051,587</u>	<u>8,169,079</u>	<u>14,220,666</u>	<u>91,423</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	5,745	24,211	29,956	0
Contracts Payable	15,964	40,240	56,204	0
Accrued Wages	15,301	17,204	32,505	0
Intergovernmental Payable	30,370	29,652	60,022	0
Interfund Payable	251,560	17,577	269,137	0
Accrued Interest Payable	24,351	7,128	31,479	0
Compensated Absences Payable	27,295	48,253	75,548	0
Revenue Bonds Payable	231,469	85,612	317,081	0
OWDA Loans Payable	289,646	39,750	329,396	0
Claims Payable	0	0	0	91,423
<i>Total Current Liabilities</i>	<u>891,701</u>	<u>309,627</u>	<u>1,201,328</u>	<u>91,423</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	51,164	103,602	154,766	0
Revenue Bonds Payable (net of current portion)	744,456	275,347	1,019,803	0
OWDA Loans Payable	123,740	63,937	187,677	0
<i>Total Long-Term Liabilities</i>	<u>919,360</u>	<u>442,886</u>	<u>1,362,246</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,811,061</u>	<u>752,513</u>	<u>2,563,574</u>	<u>91,423</u>
Net Position				
Net Investment in Capital Assets	3,273,131	6,775,342	10,048,473	0
Unrestricted	967,395	641,224	1,608,619	0
<i>Total Net Position</i>	<u>\$4,240,526</u>	<u>\$7,416,566</u>	<u>\$11,657,092</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$4,227,401	\$2,360,368	\$6,587,769	\$1,570,973
Special Assessments	0	350	350	0
<i>Total Operating Revenues</i>	<u>4,227,401</u>	<u>2,360,718</u>	<u>6,588,119</u>	<u>1,570,973</u>
Operating Expenses				
Personal Services	856,824	1,007,550	1,864,374	0
Materials and Supplies	488,435	246,213	734,648	0
Contractual Services	1,809,182	492,874	2,302,056	328,715
Depreciation	73,078	166,813	239,891	0
Claims	0	0	0	1,242,258
Other	62,402	3,206	65,608	0
<i>Total Operating Expenses</i>	<u>3,289,921</u>	<u>1,916,656</u>	<u>5,206,577</u>	<u>1,570,973</u>
<i>Operating Income (Loss)</i>	<u>937,480</u>	<u>444,062</u>	<u>1,381,542</u>	<u>0</u>
Non-Operating Revenues (Expenses)				
Grants	2,801	14,261	17,062	0
Interest and Fiscal Charges	(71,642)	(20,181)	(91,823)	0
Other Non-Operating Revenues	16,026	3,000	19,026	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(52,815)</u>	<u>(2,920)</u>	<u>(55,735)</u>	<u>0</u>
<i>Change in Net Position</i>	884,665	441,142	1,325,807	0
<i>Net Position Beginning of Year</i>	<u>3,355,861</u>	<u>6,975,424</u>	<u>10,331,285</u>	<u>0</u>
<i>Net Position End of Year</i>	<u>\$4,240,526</u>	<u>\$7,416,566</u>	<u>\$11,657,092</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Enterprise			Internal Service
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$3,560,375	\$1,959,248	\$5,519,623	\$0
Cash Received from Interfund Services Provided	0	0	0	1,591,593
Special Assessments	12,766	0	12,766	0
Cash Payments to Employees for Services	(863,631)	(1,005,043)	(1,868,674)	0
Cash Payments for Goods and Services	(2,597,150)	(752,397)	(3,349,547)	(328,715)
Cash Payments for Claims	0	0	0	(1,261,959)
Other Cash Payments	(62,402)	(3,206)	(65,608)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>49,958</u>	<u>198,602</u>	<u>248,560</u>	<u>919</u>
Cash Flows from Noncapital Financing Activities				
Financing Activities				
Grants Received	2,801	14,261	17,062	0
Non-Operating Revenues Received	16,026	3,000	19,026	0
Cash received from Other Funds	238,865	0	238,865	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>257,692</u>	<u>17,261</u>	<u>274,953</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities				
Principal Paid on OWDA Loans	(271,958)	(37,596)	(309,554)	0
Principal Paid on Revenue Bonds	(203,025)	(75,091)	(278,116)	0
Interest Paid on OWDA Loans	(43,195)	(7,461)	(50,656)	0
Interest Paid on Revenue Bonds	(60,502)	(22,376)	(82,878)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(578,680)</u>	<u>(142,524)</u>	<u>(721,204)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(271,030)	73,339	(197,691)	919
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>271,030</u>	<u>216,697</u>	<u>487,727</u>	<u>746</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$0</u>	<u>\$290,036</u>	<u>\$290,036</u>	<u>\$1,665</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$937,480	\$444,062	\$1,381,542	\$0
Adjustments:				
Depreciation	73,078	166,813	239,891	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(667,026)	(401,120)	(1,068,146)	0
Special Assessments Receivable	12,766	(350)	12,416	0
Prepaid Items	0	2,292	2,292	0
Interfund Receivable	0	0	0	20,620
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	(137,743)	(56,080)	(193,823)	0
Contracts Payable	12,135	40,240	52,375	0
Accrued Wages	1,621	1,041	2,662	0
Claims Payable	0	0	0	(19,701)
Compensated Absences Payable	(4,738)	8,562	3,824	0
Intergovernmental Payable	(167,562)	1,123	(166,439)	0
Interfund Payable	(10,053)	(7,981)	(18,034)	0
<i>Total Adjustments</i>	<u>(887,522)</u>	<u>(245,460)</u>	<u>(1,132,982)</u>	<u>919</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$49,958</u>	<u>\$198,602</u>	<u>\$248,560</u>	<u>\$919</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Private Purpose Trust	
	Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$2,113	\$0
Cash and Cash Equivalents in Segregated Accounts	0	41,825
<i>Total Assets</i>	2,113	\$41,825
Liabilities		
Undistributed Monies	0	\$41,825
Net Position		
Held in Trust for Endowment	\$2,113	

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2014

	Private Purpose Trust
	Memorial
Additions	
Interest	\$1
Deductions	
Materials and Supplies	523
<i>Change in Net Position</i>	(522)
<i>Net Position Beginning of Year</i>	2,635
<i>Net Position End of Year</i>	\$2,113

See accompanying notes to the basic financial statements

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

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

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

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 more significant of the City's accounting policies are described below.

Basis of Presentation

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

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

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

Fund Accounting

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

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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City’s major governmental funds:

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

Garbage Fund - The garbage fund accounts for and reports property taxes restricted for garbage collection.

CHIPS Fund – The CHIPS fund accounts for and reports grant revenues restricted for community development.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Street Construction Maintenance and Repair Fund – The street construction maintenance and repair fund accounts for and reports ninety-two and one half percent of the State gasoline tax and motor vehicle registration fees restricted for street maintenance and repair.

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 and report 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 and reports 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 and reports 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 and report 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 position and changes in net position. 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 funds are used to account for and report construction deposits and municipal court resources which are due to other cities.

Measurement Focus

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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 position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

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

Basis of Accounting

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any deferred outflows of resources.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental local and state monies and homestead and rollback. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

Cash and Cash Equivalents

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

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

During 2014, investments were limited to a money market mutual fund reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2014 amount to \$54, of which none was assigned from other City funds.

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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.

Restricted Assets

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position 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 position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of land as land was included regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

For 2014, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balances amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures 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(s) from which the employees who have resigned or retired will be paid.

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and capital leases are recognized as a liability on the governmental fund financial statements when due.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by policies of the City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2015's budget and for recreation and health services.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for senior services, the community housing improvement program and cemetery maintenance.

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

Operating Revenues and Expenses

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

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Budgetary Process

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

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

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

Note 3 – Compliance and Accountability

Compliance

Contrary to Section 5705.41 (B), Ohio Revised Code, the following funds and departments had expenditures plus encumbrances in excess of appropriations:

Fund/Function	Object	Appropriations	Expenditures Plus Encumbrances	Variance
General Fund				
<i>General Government</i>	Other	\$2,108,216	\$2,120,204	(\$11,988)
<i>Security of Persons and Property</i>	Personel Services	3,158,697	3,166,590	(7,893)
Fire Levy				
<i>Security of Persons and Property</i>	Personel Services	331,000	345,462	(14,462)
Municipal Court Probation Service				
<i>Community Development</i>	Other	240,000	247,833	(7,833)

The City had a negative cash balance of \$16,355 and \$238,865 in the fire levy and water funds, respectively, indicating that revenue from other sources were used to pay obligations of this fund contrary to Ohio Revised Code Section 5705.10.

The City had total final appropriations of \$416,000 in excess of estimated resources plus carryover balances of \$414,780 in the CHIPS special revenue fund in the amount of \$1,220, contrary to Section 5705.39, Ohio Revised Code.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Accountability

Fund balances at December 31, 2014, include the following individual fund deficits:

<i>Major Funds:</i>	<u>Deficit Fund Balances</u>
Fire Levy	\$33,438

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

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Unrecorded cash represents amounts received but not reported by the City on the operating statements (budget), but which is reported on the GAAP basis operating statement.
5. Budgetary revenues and expenditures of the health and recreation funds are classified to the general fund for GAAP reporting.

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

	Net Change in Fund Balances				
	General	Garbage	CHIPS	Street Construction Maintenance and Repair	Fire Levy
GAAP Basis	(\$542,226)	(\$13,053)	(\$90,908)	\$91,638	(\$13,242)
Net Adjustment for Revenue Accruals	(13,556)	5,779	112,610	(807)	0
Ending Unrecorded Cash	(1,632)	(402)	37,429	(34,332)	0
Perspective Difference:					
Health	(7,686)	0	0	0	0
Recreation	15,214	0	0	0	0
Net Adjustment for Expenditures Accruals	(62,644)	0	1	15,951	(2,539)
Encumbrances	(4,243)	0	0	0	0
Budget Basis	(\$616,773)	(\$7,676)	\$59,132	\$72,450	(\$15,781)

Note 5 - Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed above;

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

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

Deposits

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,642,083 of the City's bank balance of \$2,379,303 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

Investments are reported at fair value. As of December 31, 2014, the City's only investment was a money market mutual fund with a fair value of \$70,491.

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within two years from the date of purchase if they have a variable interest rate and five years for investments that have a fixed rate and that the City's investment portfolio be structured so that securities

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk The money market mutual fund is not rated. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk. The City places no limit on the amount it may invest in any one issuer.

Note 6 - Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Garbage	CHIPS	Street Construction Maintenance and Repair	Fire Levy	Other Governmental Funds	Total
Nonspendable							
Prepays	\$17,750	\$0	\$0	\$1,750	\$0	\$1,500	\$21,000
Unclaimed Monies	30,768	0	0	0	0	0	30,768
Total Nonspendable	48,518	0	0	1,750	0	1,500	51,768
Restricted for							
General Government	0	0	0	0	0	57,163	57,163
Public Safety	3,662	0	0	0	0	27,104	30,766
Police Pension	0	0	0	0	0	1,109	1,109
Fire Pension	0	0	0	0	0	810	810
Senior Activities	0	0	0	0	0	1,573	1,573
Street Maintenance	0	0	0	337,619	0	78,756	416,375
Garbage Disposal	0	54,001	0	0	0	0	54,001
Landfill	5	0	0	0	0	0	5
Public Health and Welfare	0	0	0	0	0	97,619	97,619
Community Development	0	0	24,483	0	0	216,487	240,970
Debt Service	0	0	0	0	0	91,965	91,965
Capital Improvements	0	0	0	0	0	419,771	419,771
Total Restricted	3,667	54,001	24,483	337,619	0	992,357	1,412,127
Assigned to							
Purchases on Order:							
Materials and Supplies	1,801	0	0	0	0	0	1,801
Recreation	2,987	0	0	0	0	0	2,987
Health	69,626	0	0	0	0	0	69,626
2015 Operations	116,470	0	0	0	0	0	116,470
Total Assigned	190,884	0	0	0	0	0	190,884
Unassigned (Deficit)	0	0	0	0	(33,438)	0	(33,438)
Total Fund Balances	\$243,069	\$54,001	\$24,483	\$339,369	(\$33,438)	\$993,857	\$1,621,341

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 7 - Receivables

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

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

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of 2013 taxes.

2014 real property taxes were levied after October 1, 2014, on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$13.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$88,886,420
Other Real Estate	20,822,810
Tangible Personal Property	
Public Utility	4,483,360
Total Assessed Values	\$114,192,590

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Income Taxes

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 87.0 percent went to the general fund (January through December), 10.4 percent went to the general obligation bond retirement fund (January through December), 1.1 percent went to the garbage fund (January through December), 1.2 percent went to the recreation fund (January through December) and 0.3 percent went to the capital improvement fund (January through December).

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities	
CHIPS Grant	\$550,000
Gasoline and Municipal Cents per Gallon	216,777
Homestead and Rollback	105,886
Local Government	70,565
Municipal Court	55,093
Motor Vehicle License Tax	48,085
Commercial Activity Tax	<u>1,018</u>
Total	<u><u>\$1,047,424</u></u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 8 - Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
Business Type Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$4,187,169	\$0	\$0	\$4,187,169
<i>Capital Assets being Depreciated:</i>				
Buildings	7,028,774	0	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	2,060,990	0	0	2,060,990
Vehicles	345,308	0	0	345,308
Infrastructure	1,009,147	0	0	1,009,147
Total Capital Assets being Depreciated	13,984,219	0	0	13,984,219
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,218,298)	(63,898)	0	(2,282,196)
Building Improvements	(2,491,815)	(58,791)	0	(2,550,606)
Furniture and Equipment	(356,220)	(89,521)	0	(445,741)
Vehicles	(270,021)	(7,498)	0	(277,519)
Infrastructure	(692,713)	(20,183)	0	(712,896)
Total Accumulated Depreciation	(6,029,067)	(239,891)	0	(6,268,958)
Total Capital Assets being Depreciated, Net	7,955,152	(239,891)	0	7,715,261
Business Type Activities Capital Assets, Net	\$12,142,321	(\$239,891)	\$0	\$11,902,430

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Governmental Activities	Balance 12/31/2013	Additions	Deductions	Balance 12/31/2014
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<i>Capital Assets being Depreciated:</i>				
Buildings	9,075,756	0	0	9,075,756
Building Improvements	168,295	0	0	168,295
Furniture and Equipment	1,705,823	0	0	1,705,823
Vehicles	1,979,126	120,217	0	2,099,343
Infrastructure:				
Streets	52,555,453	0	0	52,555,453
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
Total Capital Assets being Depreciated	80,416,853	120,217	0	80,537,070
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,358,104)	(81,584)	0	(2,439,688)
Building Improvements	(99,980)	(5,885)	0	(105,865)
Furniture and Equipment	(1,528,288)	(26,484)	0	(1,554,772)
Vehicles	(544,905)	(122,403)	0	(667,308)
Infrastructure:				
Streets	(38,844,035)	(1,051,109)	0	(39,895,144)
Sidewalks	(9,541,382)	(257,876)	0	(9,799,258)
Curbs	(1,508,594)	(40,772)	0	(1,549,366)
Total Accumulated Depreciation	(54,425,288)	(1,586,113) *	0	(56,011,401)
Total Capital Assets being Depreciated, Net	25,991,565	(1,465,896)	0	24,525,669
Governmental Activities Capital Assets, Net	\$27,065,205	(\$1,465,896)	\$0	\$25,599,309

*Depreciation expense was charged to governmental activities as follows:

General Government	\$63,482
Security of Persons and Property	113,140
Public Health Services	5,787
Transportation	1,089,271
Community Development	300,506
Basic Utility Services	7,805
Leisure Time Activities	6,122
Total Depreciation Expense	\$1,586,113

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 9 - 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>Special Obligation Bonds</i>			
Water System Revenue Bonds	3.49%	\$1,615,000	2018
<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
Liberty Street Waterline Replacement	2.00	63,765	2016
Governmental Activities:			
Ohio Public Works Commission Loan	0.00	18,571	2019
Police and Fire Pension	4.25	377,328	2035
Notes Payable	3.22	3,122,780	2016

A schedule of changes in bonds and other long-term obligations of the City during 2014 follows:

	Amount Outstanding 12/31/2013	Additions	Deletions	Amount Outstanding 12/31/2014	Amounts Due In One Year
Business-Type Activities:					
<i>Special Obligation Bonds</i>					
Water System Revenue Bonds	\$1,615,000	\$0	(\$278,116)	\$1,336,884	\$317,081
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	215,042	0	(57,223)	157,819	60,503
Water Distribution	134,228	0	(30,520)	103,708	32,461
Lakes Project	425,448	0	(205,650)	219,798	219,798
Liberty Water	12,891	0	(3,413)	9,478	3,630
Liberty Street Waterline Replacement	39,018	0	(12,748)	26,270	13,004
Total Ohio Water Development Authority Loans	826,627	0	(309,554)	517,073	329,396
Compensated Absences	226,490	94,895	(91,071)	230,314	75,548
<i>Total Business-Type Activities Obligations</i>	<u>\$2,668,117</u>	<u>\$94,895</u>	<u>(\$678,741)</u>	<u>\$2,084,271</u>	<u>\$722,025</u>
Governmental Activities Obligations:					
Notes Payable	\$3,122,780	\$0	(\$312,278)	\$2,810,502	\$0
Ohio Public Works Commission Loan	51,569	0	(8,595)	42,974	8,595
Capital Lease	166,160	0	(64,550)	101,610	67,086
Compensated Absences	749,955	301,096	(252,344)	798,707	298,722
Police and Fire Pension	240,155	0	(7,058)	233,097	7,370
<i>Total Governmental Activities Obligations</i>	<u>\$4,330,619</u>	<u>\$301,096</u>	<u>(\$644,825)</u>	<u>\$3,986,890</u>	<u>\$381,773</u>

City of Girard, Ohio
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For The Year Ended December 31, 2014

Special Obligation bonds and OWDA loans will be paid from water and sewer enterprise fund user service charges. The OPWC loan payable will be paid with monies from the street construction maintenance and repair special revenue fund. Compensated absences will be paid from the following funds: the general fund, the street construction maintenance and repair special revenue fund and the water and sewer enterprise funds. The capital lease will be paid from the street permissive tax special revenue fund. The City pays semi-annual 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.

On March 1, 2013, the City issued \$1,615,000 in special obligation bonds for the purpose of purchasing and installing radio frequency water meters to be used for the City's Water Utility System. The interest rates on the bonds are 3.49 percent and they mature on September 1, 2018. The bonds will be paid out of the water and sewer enterprise funds.

On June 28, 2013, the City issued \$3,122,780 in various purpose notes for the justice center and street widening project. The interest rates on the notes are 3.22 percent and they mature on June 28, 2016. The notes will be paid from the bond retirement fund.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans and revenue bonds in the water fund. The debt is payable solely from net revenues and are payable through 2018. Annual principal and interest payments on the debt issues required 57 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$1,502,470. Principal and interest paid for the current year and total net revenues were \$578,680 and \$1,010,558 respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans and revenue bonds in the sewer fund. The debt is payable solely from net revenues and are payable through 2018. Annual principal and interest payments on the debt issues required 23 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$502,511. Principal and interest paid for the current year and total net revenues were \$142,524 and \$610,875 respectively.

The City's overall legal debt margin was \$9,228,711 at December 31, 2014. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2014, are as follows:

Business-Type Activities:

	<u>OWDA Loans</u>		<u>Special Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$329,396	\$30,813	\$317,081	\$43,914
2016	115,621	9,709	328,243	32,752
2017	72,056	3,405	339,799	21,196
2018	0	0	351,761	9,235
Total	<u>\$517,073</u>	<u>\$43,927</u>	<u>\$1,336,884</u>	<u>\$107,097</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Governmental Activities:

	Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal
2015	\$7,370	\$9,803	\$8,595
2016	7,696	9,477	8,595
2017	8,036	9,137	8,595
2018	8,389	8,784	8,595
2019	8,754	8,419	8,594
2020-2024	49,563	36,302	0
2025-2029	59,551	26,314	0
2030-2034	68,902	16,963	0
2035	14,836	2,335	0
Total	\$233,097	\$127,534	\$42,974

Note 10 - Compensated Absences

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

Note 11 - Contingencies

Litigation

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

Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2014.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

Note 12 – Capital Lease

In prior years, the City entered into a capital lease for three 2012 freightliners with Myers snow and ice lifts classified as vehicles. The lease meets the criteria for a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book values as of December 31, 2014 are as follows:

	Amounts
Vehicles	\$323,229
Less: Accumulated Depreciation	(129,292)
Current Book Value	\$193,937

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2014.

	Amounts
2015	\$70,392
2016	35,196
Total Minimum Lease Payments	105,588
Less: Amount representing interest	(3,978)
Present Value of Minimum Lease Payments	\$101,610

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the street permissive special revenue fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 13 - Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2014, the City contracted with US Specialty Insurance Company for various types of insurance as follows:

Type	Coverage
Commercial Liability	\$1,000,000/\$3,000,000
Public Officials	1,000,000/1,000,000
Law Enforcement	1,000,000/1,000,000
Automobile	1,000,000
Automobile Physical Damage	Actual Cash Value
Real and Personal Property	23,088,480
Inland Marine	1,244,854
Business Electronic Equipment	133,369
Commercial Crime	10,000
Bonds - Employees and Officials	10,000

City of Girard, Ohio
Notes to the Basic Financial Statements
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Claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

Employee Insurance Benefits

The City has elected to provide vision, dental, prescription drug, and hospital/medical benefits to its employees through a self insured program. The City does not reserve or set aside any monies for self-insurance costs. They are pay as you go funded. When claims are received, monies from the individual funds are then expensed and a charge for service revenue is posted to the City’s internal service fund. Additionally, the expense to the individual funds is based on actual claims and not proportionately by the employees being covered/paid from the funds. The maintenance of these benefits is accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$50,000 per individual and \$1,600,000 for the City as a whole. Incurred but not reported claims of \$91,423 have been accrued as a liability based on a review of January 2015 billings provided by the City Auditor’s Office.

The claims liability of \$91,423 reported in the internal service fund at December 31, 2014 is based on the requirements of Governmental Accounting Standards Board Statement No. 30 “Risk Financing Omnibus,” which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the funds' claims liability amounts for 2013 and 2014 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2013	\$99,273	\$1,230,577	\$1,218,726	\$111,124
2014	111,124	1,242,258	1,261,959	91,423

Workers’ Compensation

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

Note 14 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. For the year ended December 31, 2014, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2014, member and employer contribution rates were consistent across all three plans.

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013 and 2012 were \$300,498, \$333,041 and \$227,391 respectively. For 2014, 92.05 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. There were no contributions to the member-directed plan for 2014.

Ohio Police and Fire Pension Fund

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

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014 thru July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014 thru December 31, 2014, plan members were required to contribute 11.50 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For 2014, the portion of the City's contributions used to fund pension benefits was 19 percent of covered payroll for police officers and 23.50 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$175,815 and \$214,054 for the year ended December 31, 2014, \$143,318 and \$136,223 for the year ended December 31, 2013, and \$119,074 and \$143,486 for the year ended December 31, 2012, respectively. For 2014, 92.19 percent for police and 92.19 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

City of Girard, Ohio
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For The Year Ended December 31, 2014

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, 2014, the unfunded liability of the City was \$233,097 payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

Note 15 – Postemployment Benefits

Ohio Public Employees Retirement System

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

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013 and 2012 were \$50,083, \$25,619 and \$90,957, respectively. For 2014, 92.05 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

Ohio Police and Fire Pension Fund

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$4,627 and \$4,554 for the year ended December 31, 2014, \$32,634 and \$24,170 for the year ended December 31, 2013, and \$63,039 and \$56,146 for the year ended December 31, 2012. For 2014, 92.19 percent has been contributed for police and 92.19 percent has been contributed for firefighters with the balance for both police and firefighters being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Note 16 - Interfund Balances

Interfund balances at December 31, 2014, consisted of (1) a \$255,220 interfund receivable/payable between the general fund and the fire levy and water funds are due to negative cash and (2) a \$89,758 interfund receivable/payable between the internal service fund and the various governmental and enterprise funds are due to the City moving monies to pay claims when funds are needed rather than when claims are incurred.

Interfund Payable	Interfund Receivable		
	General	Internal Service	Total
<i>Major Funds:</i>			
General	\$0	\$47,404	\$47,404
Street Construction, Maintenance & Repair	0	8,351	8,351
Fire Levy	16,355	0	16,355
<i>Total Major Funds</i>	<u>16,355</u>	<u>55,755</u>	<u>72,110</u>
<i>Other Governmental Funds:</i>			
Cemetery	0	331	331
Capital Improvement	0	3,400	3,400
<i>Total Other Governmental Funds</i>	<u>0</u>	<u>3,731</u>	<u>3,731</u>
Water	238,865	12,695	251,560
Sewer	0	17,577	17,577
<i>Total Enterprise Funds</i>	<u>238,865</u>	<u>30,272</u>	<u>269,137</u>
<i>Totals</i>	<u>\$255,220</u>	<u>\$89,758</u>	<u>\$344,978</u>

Note 17 - Jointly Governed Organizations

Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is committed to fostering cooperative regional efforts in the planning, programming, and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the members. In 2014, the City contributed \$3,485 to the Eastgate Development and Transportation Agency. For more information contact John R. Getchey, executive director, at 100 Federal Plaza East, Youngstown, Ohio 44503.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2014

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 2014, the City contributed \$2,095 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

Note 18 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

<i>Governmental Funds:</i>		<i>Proprietary Funds:</i>	
General	\$4,243	Water fund	\$1,200
Other Governmental Funds	2,507	Sewer fund	600
Total Governmental	<u>\$6,750</u>	Total Proprietary	<u>\$1,800</u>



Dave Yost • Auditor of State

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

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

To the Honorable Mayor and City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 9, 2017. We qualified our opinions on the business-type activities, Water Fund, and Sewer Fund because management has not adopted a methodology for calculating an actual accounts receivable balance and has not considered the need to provide an allowance for uncollectible amounts.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider findings 2014-004 through 2014-006 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-007 and 2014-008 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 through 2014-004.

Entity's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the City's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2017

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

1. Water System Revenue Bond Requirements

<i>Finding Number</i>	2014-001
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NONCOMPLIANCE

City Ordinance 7883-13 authorizing the issuance of revenue bonds, in the amount of \$1,615,000, for the purpose of purchasing and installing water meters to be used for the water utility system states the following:

Section 10: Pledge of Adequate Rates and Charges. The rates and charges for all services and facilities rendered by the Utility shall be reasonable and just, taking into consideration the costs and value of said Utility and cost of maintaining, repairing, and operating the same and the amounts necessary for the retirement of the Bonds and there shall be charged such rates as shall be adequate to meet the requirements of this Section and Section 11 hereof.

Section 11: Creation of the Bond Fund. The City Auditor is hereby authorized to create and maintain the Bond Fund (the "Bond Fund"). The Bond Fund shall be funded solely from the Revenues of the Utility and be used for the purposes of payment of the principal of and interest on the Bonds, and redemption of the Bonds, as appropriate.

At December 31, 2014, the Water Revenue Fund (#601) cash fund balance was \$(238,865); the Sewer Rental Fund (#620) cash fund balance was \$185,329. The Utility fund charges for services were not sufficient to cover the operations of the utility as required by City Ordinance 7883-13 Section 10. In addition, the Water System Revenue Bond payments were made directly from the Water Revenue Fund (#601) and the Sewer Rental Fund (#620). The City did not create a Bond Fund in accordance with City Ordinance 7883-13 Section 11.

The City lacked adequate controls to make sure City Ordinance 7883-13 was followed.

The City should review the rates, charges, and costs associated with the Water and Sewer Fund operations. Adjustments to rates, charges, and costs should be made accordingly to eliminate deficit balances and maintain compliance with the debt requirements. Additionally, the City should create a Bond Fund to be funded solely from the revenue of the utility, for the purposes of payment of the principal and interest on the bonds.

2. Finding for Recovery Repaid Under Audit

<i>Finding Number</i>	2014-002
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NONCOMPLIANCE

The City issued check 62643 on June 25, 2014 to Trumbull Industries in the amount of \$19,245.11. The payment included \$1,259.08 in Ohio sales tax. However, the City is tax-exempt and should not have paid the Ohio sales tax.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Trumbull Industries and in favor of the City of Girard, in the amount of \$1,259.08.

The check to Trumbull Industries, which included the illegal Ohio sales tax payment of \$1,259.08, was signed by the Sam Zirafi, the City Auditor, and Mark Zuppo, the City Treasurer.

**Finding Number 2014-002
 (Continued)**

On February 3, 2017, Trumbull Industries issued the City a credit of \$1,259.08 for the sales tax paid by the City on June 25, 2014.

3. Negative Fund Balances

<i>Finding Number</i>	2014-003
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NONCOMPLIANCE

Ohio Rev. Code §5705.10(I) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The City had the following negative fund balances at year end:

- Fire Levy Fund in the amount of (\$16,355)
- Water Revenue Fund in the amount of (\$238,865)

The City had the following negative fund balances during the year:

- General Fund in the amount of (\$86,387) for the month ending November
- Garbage Fund in the amount of (\$8,392) for the month ending March
- Weed Cutting Fund with amounts ranging from (\$85) to (\$4,034) for the months ending January, February, March, July, August, and September.
- Elderly Bus Fare Fund with amounts ranging from (\$1,468) to (\$11,057) for the months ending April through November.
- Home Health Nursing Fund in the amount of (\$276) for the month of August
- Recreation Fund in the amount of (\$1,476) and (\$3,933) for the months ending October and November.
- Trash Haulers Fund with amounts ranging from (\$2,711) to (\$13,139) for the months ending January through November.
- Community Block Grant Fund with amounts ranging from (\$1,473) to (\$3,749) for the months ending March through November.
- Fire Levy Fund with amounts ranging from (\$16,355) to (\$122,204) for the months ending January through March, May, and April through December.
- General Bond Fund with amounts ranging from (\$16,236) to (\$102,968) for the months ending June to October.
- Water Revenue Fund with amounts ranging from (\$212,539) to (\$571,907) for the months ending February through December.
- Sewer Rental Fund in the amount of (\$55,028) for the month of August.
- Municipal Probation Services in the amount of (\$7,517) for the month of July.
- Trailer Park Fund with amount ranging from (\$432) to (\$1,076) for the months of January to November.

**Finding Number 2014-003
 (Continued)**

Negative cash fund balances are an indication revenues from other sources were used to pay obligations of other funds. Fund activity should be monitored to help prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

4. Bank Versus Book Reconciliations

<i>Finding Number</i>	2014-004
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Administrative Code §117-2-02 (B) specifies that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following assertions are achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it:

- (1) Assertions about classes of transactions and events for the period under audit:
 - (a) Occurrence: Transactions and events that have been recorded have occurred and pertain to the entity.
 - (b) Completeness: All transactions and events that should have been recorded have been recorded.
 - (c) Accuracy: Amounts and other data relating to recorded transactions and events have been recorded appropriately.
 - (d) Cutoff: Transactions and events have been recorded in the correct accounting period.
 - (e) Classification: Transactions and events have been recorded in the proper accounts.
- (2) Assertions about account balances at the period end:
 - (a) Existence/occurrence: That recorded assets (and liabilities, if generally accepted accounting principles apply) exist as of fiscal year end, recorded transactions have occurred and are not fictitious.
 - (b) Completeness: That all account balances and transactions that should be included in the financial records are included.

Ohio Rev. Code § 733.11 requires the city auditor to keep the books of the city and exhibit accurate statements of all moneys received and expended, of all property owned by the city and the income derived therefrom, and of all taxes and assessments. **Ohio Rev. Code § 733.43** requires the treasurer of a municipal corporation to keep an accurate account of (A) all moneys received by him, showing the amount thereof, the time received, from whom, and on what account received. He shall so arrange his books that the amount received and paid on account of separate funds, or specified appropriations, shall be exhibited in separate accounts.

The City Treasurer did not maintain an account of all monies received in accordance with **Ohio Rev. Code §733.43**. The City Auditor maintained the books of the City as well as the bank accounts. The City Auditor did not provide for audit, any monthly bank to book reconciliations. The City Auditor was unable to reconcile the book balances to their bank balances. Unreconciled unknown balances existed throughout 2014 which were not resolved by year end. As a result, the Auditor of State's Local Government Services Division assisted the City in reconciling its 2014 activity.

**Finding Number 2014-004
 (Continued)**

Upon conclusion of the reconciliations being performed, the City's books were understated at year end by \$71,644 for receipts and disbursements occurring in 2014. In addition, the City also had previous outstanding reconciling adjustments that were not posted to the accounting system in the amount of \$(54,585). In total, the City's books were understated at year end by \$17,058. The number of reconciling adjustments, for transactions that were not posted to the City's accounting system or were posted in error, totaled 163. The following fund balance adjustments were necessary:

Fund	Amount
General	\$1,388
Muni Court Special Project	(155)
Street Construction	34,332
State Highway	2,784
Garbage	402
Special Restaurant	(894)
Weed Cutting	(62)
Ambulance Hospital	(1,076)
Law Enforcement Drug	3,078
Recreation	439
Community Block Grant	8,117
CHIP / CHIS	(37,429)
General Bond	1,833
Water Revenue	9,066
Water Deposits	(8)
Sewer Rental	(2,396)
Cemetery TC King Sekler	(523)
Agency Reimbursement	761
Capital Improvement	(3,426)
Lake Dams	828
Total	\$17,059

These adjustments were posted to the City's accounting system and to the accompanying financial statements.

In addition, the outstanding check list from the City's primary checking account contained 156 checks totaling \$53,798 that were outstanding for a period longer than one year. Stale dated checks may result in a cumbersome and/or incorrect reconciliation. These outstanding checks should be paid into an unclaimed monies fund as indicated in Ohio Revised Code Section 9.39.

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

The City should implement policies and procedures which would include reviewing the outstanding check list and remove any outstanding checks longer than six months. These outstanding checks should be placed in an unclaimed money fund.

5. Account Classifications

<i>Finding Number</i>	2014-005
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MATERIAL WEAKNESS

Ohio Administrative Code Chapter 117-2-01 provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for reliability of financial reporting;

The control procedures over the review of receipt transactions failed to recognize material errors related to posting classifications because the procedures were inadequate. The City has made all required adjustments to their financial statements for the following material errors:

- The City received State of Ohio homestead and rollback revenue in the amount of \$105,502. The City posted the revenue as property taxes to the following funds: General Fund in the amount of \$20,225; Garbage Fund in the amount of \$36,040; Fire Levy Fund in the amount of \$26,376; Senior Levy Fund in the amount of \$15,825; Cemetery Fund in the amount of \$1,762; Fire Pension Fund in the amount of \$2,637; and Police Pension Fund in the amount of \$2,637. These amounts should have been posted as intergovernmental revenue.
- The City received State of Ohio highway distribution revenue in the amount of \$11,982 and improperly posted it in the General Fund. The City should have posted \$11,083 in the Street Construction Maintenance & Repair Fund and \$899 in the State Highway Intergovernmental Fund. The City has also adjusted these fund balances on their accounting system.
- The City received State of Ohio gas excise tax and highway distribution revenue totaling \$37,115. The City did not record this transaction in their accounting system during 2014. The City should have posted \$34,331 in the Street Construction Maintenance & Repair Fund and \$2,784 in the State Highway Fund as intergovernmental revenue. In 2015, the City contracted with LGS to reconcile all accounts for 2014. This error was subsequently accounted for in the cash reconciliation and GAAP compiled financial statements. The City posted the adjustment to their accounting system in 2015.
- The City received State of Ohio tax distributions for City levied permissive motor vehicle license tax totaling \$177,885. The City improperly posted the revenue as intergovernmental revenue in the Street Permissive Tax Fund. The amount should have been posted as permissive tax revenue.
- The City posted \$39,926 in revenue to CHIPS Fund Intergovernmental Revenue. The City could not support a cash deposit for this transaction during 2014. This error was subsequently accounted for in the cash reconciliation and GAAP compilation; however the financial statements did not accurately reflect the adjustment, causing an overstatement of Intergovernmental Revenue and Community Development Expenditures of \$39,926. The City posted the related adjustment to their accounting system in 2015.

**Finding Number 2014-005
 (Continued)**

The control procedures over the review of receipt transactions failed to recognize other immaterial errors related to posting classifications because the procedures were inadequate. The following immaterial error was not adjusted on the City's financial statements:

- The City received \$50,000 from a local school district for providing a police resource officer to the District. The City improperly posted the revenue as fines and forfeitures instead of charges for services revenue.

The City should review transaction postings to the accounting system and trial balances to help ensure amounts are properly classified in the financial statements. The City should perform bank reconciliations on a monthly basis to detect any errors or omissions. The City Council should review and approve bank reconciliations at the monthly Council meetings.

6. Utility Accounts Receivable

<i>Finding Number</i>	2014-006
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MATERIAL WEAKNESS

Governmental Accounting Standards Board (GASB) Statement 34, Footnote 41 requires that revenues should be reported net of discounts and allowances with the discount or allowance amount parenthetically disclosed on the face of the statement or in a note to the financial statements. Alternatively, revenues may be reported gross with the related discounts and allowances reported directly beneath the revenue amount.

The accounts receivable (net of un-collectibles) reported in the Statement of Net Position – Proprietary Funds is potentially misstated because the amount does not factor in an amount for uncollectible accounts. Instead, the accounts receivable amount equals the total amount billed to customers as of year-end but not paid until after December 31, 2014.

An adequate allowance for un-collectible accounts would properly decrease revenues and assets of the Water and Sewer Funds. We cannot reasonably determine the amounts by which this departure would affect the accounts receivable and revenue accounts.

The City should establish a method of pursuing collection of overdue utility accounts. An aged receivable listing should be compiled and reasonable percentages should be applied to the aged listing to come up with an uncollectible amount.

7. Health Plan Administrators SOC 1 Report

<i>Finding Number</i>	2014-007
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SIGNIFICANT DEFICIENCY

The City contracts with Health Plan Administrators (HPA), which acts as an outside processing service organization for the City in that it reviews and processes medical bills, along with providing a network for pricing. The City did not obtain a SOC-1 report for HPA and also does not perform a detailed review of medical bills provided by HPA.

**Finding Number 2014-007
 (Continued)**

By not reviewing HPA's SOC 1 report and HPA's controls, the City does not have assurance whether HPA has proper controls in place and if they are effective. In addition, the City's failure to review HPA detailed billings could result in undetected errors for processed claims.

The City should request an annual report from HPA under Standards for Attestation Engagements No. 16 covering the City's claims processing system. In the event HPA does not agree to have the control report prepared, as an alternative the City should have qualified consultants, selected by the City, perform procedures to test the adequacy of the internal controls over the claims processing system.

8. Lack of Monitoring

<i>Finding Number</i>	2014-008
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SIGNIFICANT DEFICIENCY

Ohio Administrative Code §117-2-01 (A) states that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Section (B) defines "Internal control" as a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (1) Reliability of financial reporting;
- (2) Effectiveness and efficiency of operations;
- (3) Compliance with applicable laws and regulations; and
- (4) Safeguarding of assets.

Subsection (C) provides that internal control consists of interrelated components (such as but not limited to):

- (1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- (3) Control activities, which are policies and procedures that help ensure management directives are carried out so as to identify and assess the risks of material misstatements, whether due to fraud or error, at the financial statement and relevant assertion levels.
- (4) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- (5) Monitoring, which is a process that assesses the quality of internal control performance over time.
- (D) When designing the public office's system of internal control and the specific control activities, management should consider the following (such as but not limited to):
 - (1) Ensure that all transactions are properly authorized in accordance with management's policies.
 - (2) Ensure that accounting records are properly designed.
 - (3) Ensure adequate security of assets and records.
 - (5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**Finding Number 2014-008
(Continued)**

The lack of effective monitoring controls contributed to an environment which allowed the expenditure of funds contrary to the directives of the governing body or Ohio law, undetected errors affecting the monthly bank versus book reconciliations, un-posted and un-budgeted on-behalf monies, budgetary law violations, incomplete capital asset records, potentially misstated utility customer accounts receivable balances, revenue and disbursement posting errors, and non-compliance with bond requirements. The City also lacks written policies and procedures over its operations, its employees' rights and responsibilities, and its inventory and assets.

Official's Response to All Comments Above: The City will continue to try to get better and more thorough and efficient. Be more timely for those findings that were identified as a problem and adhere to a stricter process for how this office conducts its business.

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Water and Sewer Billings	No	Partially Corrected. Repeated as Finding 2014-006
2013-002	Bank Reconciliations	No	Repeated as Finding 2014-004
2013-003	Internal Controls over Financial Reporting	No	Repeated as Finding 2014-005
2013-004	Health Insurance SOC-1 Report	No	Repeated as Finding 2014-007
2013-005	Expenditures Plus Encumbrances Exceeding Appropriations Plus Prior Year Encumbrances	No	Partially Corrected. Repeated as a management letter comment.

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Dave Yost • Auditor of State

CITY OF GIRARD

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 18, 2017