



Dave Yost • Auditor of State

**CITY OF GIRARD
TRUMBULL COUNTY
DECEMBER 31, 2017**

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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 the 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, 2017, 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 such 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 |
| Fire Levy Fund | Unmodified |
| Street Construction, Maintenance & Repair 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 position and change the revenues in the business-type activities, Water Fund, and Sewer Fund. The amount by which this departure would affect the assets, deferred inflows of resources, fund balances and revenues of the business-type activities, Water Fund, and Sewer Fund, cannot reasonably be determined.

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, as of December 31, 2017, 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 Fire Levy Fund, the Street Construction, Maintenance & Repair Fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio as of December 31, 2017, and the respective changes in its financial position thereof and the respective budgetary comparisons for the General Fund, Garbage Fund, Fire Levy Fund, and Street Construction, Maintenance & Repair Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the City has suffered losses from operations and has Fire Levy Fund fund balance deficits as of December 31, 2017 of (\$37,489). The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

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*, and schedules of net pension liabilities and pension contributions 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.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, 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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 5, 2018

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2017
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, 2017. 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 2017 are as follows:

- The City complies with GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements presentation of the City.
- Capital asset additions included construction in progress relating to future renovations to the wastewater treatment plant as well as the purchase of vehicles for the police and water departments.
- Outstanding governmental debt obligations decreased during 2017 due to the annual pay-down of debt, offset by an increase in the net pension liability. Outstanding business-type debt obligations increased during 2017 due to the continued draw-down of proceeds for the loan with the Ohio Water Development Authority for renovations to the City's wastewater treatment plant. This increase was partially offset by the continued annual pay-down of 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 2017?" 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
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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, fire levy and street construction, maintenance and repair 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.

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.

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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 2017 as they compare to 2016.

(Table 1)
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Current and Other Assets | \$5,409,181 | \$4,975,948 | \$2,978,536 | \$2,385,627 | \$8,387,717 | \$7,361,575 |
| Capital Assets, Net | 21,142,128 | 22,576,593 | 13,181,778 | 12,540,986 | 34,323,906 | 35,117,579 |
| <i>Total Assets</i> | <u>26,551,309</u> | <u>27,552,541</u> | <u>16,160,314</u> | <u>14,926,613</u> | <u>42,711,623</u> | <u>42,479,154</u> |
| Deferred Outflows of Resources | 2,281,530 | 2,567,005 | 751,805 | 618,922 | 3,033,335 | 3,185,927 |
| Liabilities | | | | | | |
| Current Liabilities | 498,369 | 443,293 | 308,145 | 456,058 | 806,514 | 899,351 |
| Long-term Liabilities | | | | | | |
| Due within one Year | 598,938 | 608,913 | 636,215 | 515,139 | 1,235,153 | 1,124,052 |
| Due in More than one Year | | | | | | |
| Net Pension Liability | 8,472,493 | 8,095,802 | 1,966,635 | 1,608,695 | 10,439,128 | 9,704,497 |
| Other Amounts | 2,298,638 | 2,666,025 | 1,536,571 | 1,418,382 | 3,835,209 | 4,084,407 |
| <i>Total Liabilities</i> | <u>11,868,438</u> | <u>11,814,033</u> | <u>4,447,566</u> | <u>3,998,274</u> | <u>16,316,004</u> | <u>15,812,307</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 1,106,073 | 1,094,714 | 0 | 0 | 1,106,073 | 1,094,714 |
| Pension | 95,299 | 62,943 | 75,406 | 50,492 | 170,705 | 113,435 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,201,372</u> | <u>1,157,657</u> | <u>75,406</u> | <u>50,492</u> | <u>1,276,778</u> | <u>1,208,149</u> |

City of Girard
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(Table 1)
Net Position (continued)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net Position | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | \$19,158,083 | \$20,274,302 | \$11,267,249 | \$10,873,204 | \$30,425,332 | \$31,147,506 |
| Restricted for: | | | | | | |
| Capital Projects | 571,065 | 587,988 | 0 | 0 | 571,065 | 587,988 |
| Debt Service | 252,049 | 188,896 | 0 | 0 | 252,049 | 188,896 |
| State Highway Maintenance | 137,165 | 95,460 | 0 | 0 | 137,165 | 95,460 |
| Street Resurfacing and | | | | | | |
| Traffic Lights | 99,916 | 86,176 | 0 | 0 | 99,916 | 86,176 |
| Garbage Collection | 140,988 | 135,503 | 0 | 0 | 140,988 | 135,503 |
| Other Purposes | 1,019,488 | 1,320,442 | 0 | 0 | 1,019,488 | 1,320,442 |
| Unrestricted (Deficit) | (5,615,725) | (5,540,911) | 1,121,898 | 623,565 | (4,493,827) | (4,917,346) |
| <i>Total Net Position</i> | <u>\$15,763,029</u> | <u>\$17,147,856</u> | <u>\$12,389,147</u> | <u>\$11,496,769</u> | <u>\$28,152,176</u> | <u>\$28,644,625</u> |

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to

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the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

Total current and other assets for governmental activities increased due to an increase in cash and cash equivalents resulting from an increase in fines and forfeitures and other revenue relating to traffic camera violations. Net capital assets for governmental activities decreased from the prior year due to an additional year of accumulated depreciation being taken. This decrease was partially offset by the purchase of vehicles for the police department.

The decrease in total deferred outflow of resources in 2017 was due to a decrease in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS and OP&F.

Total liabilities for governmental activities increased slightly due to an increase in the net pension liability as calculated by the pension systems. The net pension liability increase represents the City's proportionate share of the OPERS traditional plan's unfunded benefits. As indicated above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability.

Total current and other assets for business-type activities increased due to an increase in cash and cash equivalents resulting from revenues outpacing expenditures. Net capital assets increased from the prior year due to current year additions of construction in progress outpacing annual depreciation. Total liabilities for business-type activities increased due to the draw-down of proceeds on a new OWDA loan for renovations to the wastewater treatment plant and an increase in the net pension liability. OPERS calculated an increase in the pension fund's total net pension liability based on changes in pension benefits, contribution rates, and return on investments. The increased net pension liability was allocated proportionately to the City.

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 2017 and 2016.

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(Table 2)
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Program Revenues | | | | | | |
| Charges for Services and Assessments | \$4,508,466 | \$2,070,205 | \$6,506,320 | \$5,831,729 | \$11,014,786 | \$7,901,934 |
| Operating Grants and Contributions | 1,486,768 | 1,137,708 | 0 | 0 | 1,486,768 | 1,137,708 |
| Capital Grants and Contributions | 0 | 65,709 | 0 | 0 | 0 | 65,709 |
| <i>Total Program Revenues</i> | <u>5,995,234</u> | <u>3,273,622</u> | <u>6,506,320</u> | <u>5,831,729</u> | <u>12,501,554</u> | <u>9,105,351</u> |
| General Revenues | | | | | | |
| Property Taxes | 1,164,569 | 1,083,237 | 0 | 0 | 1,164,569 | 1,083,237 |
| Municipal Income Taxes | 3,676,792 | 3,626,965 | 0 | 0 | 3,676,792 | 3,626,965 |
| Local Permissive Taxes | 178,786 | 183,210 | 0 | 0 | 178,786 | 183,210 |
| Grants and Entitlements not Restricted to Specific Programs | 234,696 | 183,888 | 0 | 0 | 234,696 | 183,888 |
| Interest | 1,916 | 2,110 | 0 | 0 | 1,916 | 2,110 |
| Other | 330,121 | 235,141 | 152,879 | 6,205 | 483,000 | 241,346 |
| <i>Total General Revenues</i> | <u>5,586,880</u> | <u>5,314,551</u> | <u>152,879</u> | <u>6,205</u> | <u>5,739,759</u> | <u>5,320,756</u> |
| <i>Total Revenues</i> | <u>11,582,114</u> | <u>8,588,173</u> | <u>6,659,199</u> | <u>5,837,934</u> | <u>18,241,313</u> | <u>14,426,107</u> |
| Program Expenses | | | | | | |
| General Government | 2,456,474 | 2,223,699 | 0 | 0 | 2,456,474 | 2,223,699 |
| Security of Persons and Property | 5,277,197 | 3,869,480 | 0 | 0 | 5,277,197 | 3,869,480 |
| Public Health Services | 148,537 | 133,020 | 0 | 0 | 148,537 | 133,020 |
| Transportation | 3,245,946 | 2,184,877 | 0 | 0 | 3,245,946 | 2,184,877 |
| Community Development | 847,967 | 825,238 | 0 | 0 | 847,967 | 825,238 |
| Basic Utility Services | 516,892 | 516,047 | 0 | 0 | 516,892 | 516,047 |
| Leisure Time Activities | 384,965 | 288,134 | 0 | 0 | 384,965 | 288,134 |
| Interest and Fiscal Charges | 88,963 | 94,882 | 0 | 0 | 88,963 | 94,882 |
| Water | 0 | 0 | 3,662,407 | 3,655,171 | 3,662,407 | 3,655,171 |
| Sewer | 0 | 0 | 2,104,414 | 1,671,898 | 2,104,414 | 1,671,898 |
| <i>Total Program Expenses</i> | <u>12,966,941</u> | <u>10,135,377</u> | <u>5,766,821</u> | <u>5,327,069</u> | <u>18,733,762</u> | <u>15,462,446</u> |
| <i>Change in Net Position</i> | <u>(1,384,827)</u> | <u>(1,547,204)</u> | <u>892,378</u> | <u>510,865</u> | <u>(492,449)</u> | <u>(1,036,339)</u> |
| Net Position Beginning of the Year | 17,147,856 | 18,695,060 | 11,496,769 | 10,985,904 | 28,644,625 | 29,680,964 |
| Net Position End of the Year | <u>\$15,763,029</u> | <u>\$17,147,856</u> | <u>\$12,389,147</u> | <u>\$11,496,769</u> | <u>\$28,152,176</u> | <u>\$28,644,625</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 Agency (RITA) and to cover refunds, are receipted into the following funds: 88.90 percent went to the general fund (January through December), 9.30 percent went to the general obligation bond retirement fund (January through December) and 1.80 percent went to the garbage fund (January through December).

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Unaudited

Charges for services increased in the governmental activities primarily as a result of an increase in fines and forfeitures. The increase in governmental activities operating grants and contributions resulted from the City receiving a greater amount of CHIP grant monies and gasoline and excise tax monies in 2017. Capital grants and contributions decreased due to less OPWC grant monies being received in 2017. Property and income taxes remained relatively consistent with the prior year.

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.

Business-Type Activities

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated operating revenues of \$4,130,689 from water and \$2,375,631 from the sewer plant facility. Water and sewer expenses including interest and fiscal charges for 2017 amounted to \$3,662,407 and \$2,104,414, respectively. For 2017, 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 increased mainly as a result of a drop in general government, security of persons and property and public health service expenditures due to the City closely monitoring and reducing costs where possible.

Due to an increase in revenues, the garbage special revenue fund balance increased as revenues exceeded expenditures for the year. The fire levy special revenue fund balance decreased during 2017 as a result of an increase in program expenditures. The street construction maintenance and repair special revenue fund balance decreased as a result of higher transportation expenditures during the year despite an increase in fines and forfeitures revenues relating to traffic camera monies.

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 \$6,506,320 and total operating expenses of \$5,730,357. 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 2017, actual revenues for the general fund were higher than final estimated revenues due mainly to higher income tax revenues, intergovernmental revenues and fines and forfeitures revenues received. The City's actual expenditures were lower than final appropriations due to lower than anticipated personal service costs across all departments.

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

Capital Assets and Debt Administration

Capital Assets

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

Total capital assets for the business-type activities, net of accumulated depreciation increased from the prior year due to current year additions outpacing annual depreciation. Current year additions included construction in progress relating to engineering costs for renovations to the wastewater treatment plant and the purchase of a vehicle for the water department.

See Note 10 to the basic financial statements for additional information on capital assets.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Land | \$1,114,360 | \$1,114,360 | \$4,387,169 | \$4,387,169 | \$5,501,529 | \$5,501,529 |
| Construction in Progress | 0 | 0 | 1,750,429 | 901,795 | 1,750,429 | 901,795 |
| Buildings and Improvement: | 6,440,999 | 6,526,831 | 5,367,906 | 5,490,595 | 11,808,905 | 12,017,426 |
| Furniture and Equipment | 105,087 | 122,285 | 1,360,489 | 1,443,108 | 1,465,576 | 1,565,393 |
| Vehicles | 1,286,868 | 1,268,546 | 80,082 | 62,434 | 1,366,950 | 1,330,980 |
| Infrastructure | | | | | | |
| Streets | 9,506,982 | 10,558,091 | 0 | 0 | 9,506,982 | 10,558,091 |
| Sidewalks | 2,320,877 | 2,578,752 | 0 | 0 | 2,320,877 | 2,578,752 |
| Curbs | 366,955 | 407,728 | 0 | 0 | 366,955 | 407,728 |
| Water and Sewer Lines | 0 | 0 | 235,703 | 255,885 | 235,703 | 255,885 |
| Total Capital Assets | \$21,142,128 | \$22,576,593 | \$13,181,778 | \$12,540,986 | \$34,323,906 | \$35,117,579 |

Long-term Obligations

As of December 31, 2017, long-term obligations include general obligation bonds, special obligation bonds, OPWC and OWDA loans, compensated absences, police and fire pensions and net pension liability.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|--------------------|---------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| General Obligation Bonds | \$1,966,856 | \$2,276,507 | \$0 | \$0 | \$1,966,856 | \$2,276,507 |
| Special Obligation Bonds | 0 | 0 | 351,761 | 691,560 | 351,761 | 691,560 |
| OPWC Loan | 17,189 | 25,784 | 0 | 0 | 17,189 | 25,784 |
| OWDA Loans | 0 | 0 | 1,562,768 | 976,222 | 1,562,768 | 976,222 |
| Compensated Absences | 703,538 | 754,616 | 258,257 | 265,739 | 961,795 | 1,020,355 |
| Police and Fire Pension | 209,993 | 218,031 | 0 | 0 | 209,993 | 218,031 |
| Net Pension Liability | 8,472,493 | 8,095,802 | 1,966,635 | 1,608,695 | 10,439,128 | 9,704,497 |
| Total | \$11,370,069 | \$11,370,740 | \$4,139,421 | \$3,542,216 | \$15,509,490 | \$14,912,956 |

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2017
Unaudited

General obligation bonds payable are being paid from the bond retirement fund. The interest rate on the bonds is 3.73 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 only outstanding OWDA loan has not been finalized yet.

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.

GASB 68 establishes standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure.

The City of Girard's overall legal debt margin was \$9,284,356 on December 31, 2017. For more information about the City's long-term obligations, see Note 11 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 2017.

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.

Basic Financial Statements

City of Girard, Ohio
Statement of Net Position
December 31, 2017

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,773,987 | \$1,308,020 | \$3,082,007 |
| Accounts Receivable | 68,897 | 1,618,859 | 1,687,756 |
| Internal Balances | 20,660 | (20,660) | 0 |
| Intergovernmental Receivable | 544,586 | 1,516 | 546,102 |
| Property Taxes Receivable | 1,411,626 | 0 | 1,411,626 |
| Income Taxes Receivable | 1,424,967 | 0 | 1,424,967 |
| Local Permissive Taxes Receivable | 73,889 | 0 | 73,889 |
| Special Assessments Receivable | 13,902 | 31,743 | 45,645 |
| Loans Receivable | 55,865 | 0 | 55,865 |
| Prepaid Items | 20,802 | 39,058 | 59,860 |
| Nondepreciable Capital Assets | 1,114,360 | 6,137,598 | 7,251,958 |
| Depreciable Capital Assets, Net | 20,027,768 | 7,044,180 | 27,071,948 |
| <i>Total Assets</i> | <u>26,551,309</u> | <u>16,160,314</u> | <u>42,711,623</u> |
| Deferred Outflows of Resources | | | |
| Pension | 2,281,530 | 751,805 | 3,033,335 |
| Liabilities | | | |
| Accounts Payable | 42,253 | 40,455 | 82,708 |
| Contracts Payable | 182,143 | 36,787 | 218,930 |
| Accrued Wages | 126,839 | 44,591 | 171,430 |
| Intergovernmental Payable | 99,401 | 173,452 | 272,853 |
| Accrued Interest Payable | 1,343 | 12,860 | 14,203 |
| Claims Payable | 46,390 | 0 | 46,390 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 598,938 | 636,215 | 1,235,153 |
| Due In More Than One Year: | | | |
| Net Pension Liability (See Note 13) | 8,472,493 | 1,966,635 | 10,439,128 |
| Other Amounts | 2,298,638 | 1,536,571 | 3,835,209 |
| <i>Total Liabilities</i> | <u>11,868,438</u> | <u>4,447,566</u> | <u>16,316,004</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes | 1,106,073 | 0 | 1,106,073 |
| Pension | 95,299 | 75,406 | 170,705 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,201,372</u> | <u>75,406</u> | <u>1,276,778</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 19,158,083 | 11,267,249 | 30,425,332 |
| Restricted for: | | | |
| Capital Projects | 571,065 | 0 | 571,065 |
| Debt Service | 252,049 | 0 | 252,049 |
| State Highway Maintenance | 137,165 | 0 | 137,165 |
| Street Resurfacing and Traffic Lights | 99,916 | 0 | 99,916 |
| Garbage Collection | 140,988 | 0 | 140,988 |
| Other Purposes | 1,019,488 | 0 | 1,019,488 |
| Unrestricted (Deficit) | (5,615,725) | 1,121,898 | (4,493,827) |
| <i>Total Net Position</i> | <u>\$15,763,029</u> | <u>\$12,389,147</u> | <u>\$28,152,176</u> |

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2017

| | Program Revenues | | |
|---------------------------------------|----------------------------|--|---------------------------------------|
| | Expenses | Charges for Services and Assessments | Operating Grants and Contributions |
| Governmental Activities: | | | |
| General Government | \$2,456,474 | \$971,268 | \$0 |
| Security of Persons and Property | 5,277,197 | 3,206,997 | 66,141 |
| Public Health Services | 148,537 | 122,310 | 3,093 |
| Transportation | 3,245,946 | 0 | 1,225,592 |
| Community Development | 847,967 | 190,752 | 98,083 |
| Basic Utility Services | 516,892 | 5,169 | 64,704 |
| Leisure Time Activities | 384,965 | 11,970 | 29,155 |
| Interest and Fiscal Charges | 88,963 | 0 | 0 |
| <i>Total Governmental Activities</i> | <u>12,966,941</u> | <u>4,508,466</u> | <u>1,486,768</u> |
| Business-Type Activities: | | | |
| Water | 3,662,407 | 4,130,689 | 0 |
| Sewer | 2,104,414 | 2,375,631 | 0 |
| <i>Total Business-Type Activities</i> | <u>5,766,821</u> | <u>6,506,320</u> | <u>0</u> |
| <i>Total</i> | <u><u>\$18,733,762</u></u> | <u><u>\$11,014,786</u></u> | <u><u>\$1,486,768</u></u> |

General Revenues

Property Taxes Levied for:

General Purposes

Garbage

Fire

Police

Cemetery

Senior Services

Income Taxes Levied for:

General Purposes

Debt Service

Garbage

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 |
|----------------------------|-----------------------------|---------------------|
| (\$1,485,206) | \$0 | (\$1,485,206) |
| (2,004,059) | 0 | (2,004,059) |
| (23,134) | 0 | (23,134) |
| (2,020,354) | 0 | (2,020,354) |
| (559,132) | 0 | (559,132) |
| (447,019) | 0 | (447,019) |
| (343,840) | 0 | (343,840) |
| (88,963) | 0 | (88,963) |
| (6,971,707) | 0 | (6,971,707) |
| 0 | 468,282 | 468,282 |
| 0 | 271,217 | 271,217 |
| 0 | 739,499 | 739,499 |
| (6,971,707) | 739,499 | (6,232,208) |
| 262,778 | 0 | 262,778 |
| 381,092 | 0 | 381,092 |
| 304,717 | 0 | 304,717 |
| 28,364 | 0 | 28,364 |
| 18,908 | 0 | 18,908 |
| 168,710 | 0 | 168,710 |
| 3,280,553 | 0 | 3,280,553 |
| 331,985 | 0 | 331,985 |
| 64,254 | 0 | 64,254 |
| 178,786 | 0 | 178,786 |
| 234,696 | 0 | 234,696 |
| 1,916 | 0 | 1,916 |
| 330,121 | 152,879 | 483,000 |
| 5,586,880 | 152,879 | 5,739,759 |
| (1,384,827) | 892,378 | (492,449) |
| 17,147,856 | 11,496,769 | 28,644,625 |
| <u>\$15,763,029</u> | <u>\$12,389,147</u> | <u>\$28,152,176</u> |

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2017

| | General | Garbage | Fire Levy | Street Construction Maintenance and Repair | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------|------------------|---|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$143,255 | \$14,930 | \$0 | \$448,352 | \$1,130,523 | \$1,737,060 |
| Receivables: | | | | | | |
| Property Taxes | 264,598 | 484,423 | 350,457 | 0 | 312,148 | 1,411,626 |
| Income Taxes | 1,266,796 | 25,649 | 0 | 0 | 132,522 | 1,424,967 |
| Local Permissive Taxes | 0 | 0 | 0 | 0 | 73,889 | 73,889 |
| Accounts | 6,870 | 5,169 | 0 | 18,931 | 37,927 | 68,897 |
| Intergovernmental | 168,268 | 32,162 | 24,956 | 256,228 | 62,972 | 544,586 |
| Special Assessments | 13,902 | 0 | 0 | 0 | 0 | 13,902 |
| Interfund Receivable | 53,076 | 0 | 0 | 0 | 0 | 53,076 |
| Prepaid Items | 16,770 | 0 | 0 | 2,532 | 1,500 | 20,802 |
| Loans Receivable | 0 | 0 | 0 | 0 | 55,865 | 55,865 |
| Restricted Assets: | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 35,951 | 0 | 0 | 0 | 0 | 35,951 |
| Total Assets | \$1,969,486 | \$562,333 | \$375,413 | \$726,043 | \$1,807,346 | \$5,440,621 |
| Liabilities | | | | | | |
| Accounts Payable | \$28,885 | \$0 | \$0 | \$11,082 | \$2,286 | \$42,253 |
| Contracts Payable | 358 | 41,778 | 0 | 3,617 | 136,390 | 182,143 |
| Accrued Wages | 113,268 | 0 | 0 | 11,387 | 2,184 | 126,839 |
| Intergovernmental Payable | 91,956 | 0 | 0 | 6,246 | 1,199 | 99,401 |
| Interfund Payable | 22,038 | 0 | 37,489 | 3,661 | 15,618 | 78,806 |
| Total Liabilities | 256,505 | 41,778 | 37,489 | 35,993 | 157,677 | 529,442 |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes | 207,324 | 379,567 | 274,599 | 0 | 244,583 | 1,106,073 |
| Unavailable Revenue | 1,190,279 | 158,334 | 100,814 | 221,189 | 277,610 | 1,948,226 |
| Total Deferred Inflows of Resources | 1,397,603 | 537,901 | 375,413 | 221,189 | 522,193 | 3,054,299 |
| Fund Balances | | | | | | |
| Nonspendable | 52,721 | 0 | 0 | 2,532 | 1,500 | 56,753 |
| Restricted | 3,327 | 0 | 0 | 466,329 | 1,133,094 | 1,602,750 |
| Assigned | 126,211 | 0 | 0 | 0 | 0 | 126,211 |
| Unassigned (Deficit) | 133,119 | (17,346) | (37,489) | 0 | (7,118) | 71,166 |
| Total Fund Balances (Deficit) | 315,378 | (17,346) | (37,489) | 468,861 | 1,127,476 | 1,856,880 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$1,969,486 | \$562,333 | \$375,413 | \$726,043 | \$1,807,346 | \$5,440,621 |

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, 2017*

| | |
|---|--------------------------------|
| Total Governmental Fund Balances | \$1,856,880 |
| <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. | 21,142,128 |
| 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 | 305,553 |
| Income Taxes | 1,184,215 |
| Local Permissive Taxes | 60,349 |
| Intergovernmental | 384,207 |
| Special Assessments | <u>13,902</u> |
| Total | 1,948,226 |
| An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included as part of governmental activities in the statement of net position. | 976 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | (1,343) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds: | |
| Deferred Outflows - Pension | 2,281,530 |
| Deferred Inflows - Pension | (95,299) |
| Net Pension Liability | <u>(8,472,493)</u> |
| Total | (6,286,262) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | |
| Bonds Payable | (1,966,856) |
| OPWC Loans Payable | (17,189) |
| Compensated Absences | (703,538) |
| Police and Fire Pension Loan | <u>(209,993)</u> |
| Total | <u>(2,897,576)</u> |
| <i>Net Position of Governmental Activities</i> | <u><u>\$15,763,029</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, 2017

| | General | Garbage | Fire Levy | Street Construction Maintenance and Repair | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-------------------|-------------------|--|--------------------------|--------------------------|
| Revenues | | | | | | |
| Property Taxes | \$261,627 | \$376,276 | \$273,010 | \$0 | \$240,792 | \$1,151,705 |
| Municipal Income Taxes | 3,294,597 | 64,539 | 0 | 0 | 333,456 | 3,692,592 |
| Local Permissive Taxes | 0 | 0 | 0 | 0 | 180,287 | 180,287 |
| Special Assessments | 15,152 | 0 | 0 | 0 | 0 | 15,152 |
| Charges for Services | 0 | 0 | 0 | 0 | 82,490 | 82,490 |
| Fees, Licenses and Permits | 220,806 | 0 | 0 | 0 | 0 | 220,806 |
| Fines and Forfeitures | 2,089,185 | 5,169 | 0 | 905,751 | 1,171,274 | 4,171,379 |
| Intergovernmental | 235,759 | 65,246 | 49,125 | 1,121,351 | 229,792 | 1,701,273 |
| Interest | 86 | 0 | 0 | 0 | 1,830 | 1,916 |
| Rentals | 7,925 | 0 | 0 | 0 | 0 | 7,925 |
| Contributions and Donations | 0 | 0 | 0 | 0 | 1,263 | 1,263 |
| Other | 192,802 | 0 | 0 | 137,220 | 99 | 330,121 |
| <i>Total Revenues</i> | <u>6,317,939</u> | <u>511,230</u> | <u>322,135</u> | <u>2,164,322</u> | <u>2,241,283</u> | <u>11,556,909</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 1,844,088 | 0 | 0 | 0 | 20,603 | 1,864,691 |
| Security of Persons and Property | 3,622,045 | 0 | 351,083 | 412,416 | 393,847 | 4,779,391 |
| Public Health Services | 35,221 | 0 | 0 | 0 | 91,882 | 127,103 |
| Transportation | 13,419 | 0 | 0 | 1,844,573 | 206,922 | 2,064,914 |
| Community Development | 75,000 | 0 | 0 | 0 | 474,319 | 549,319 |
| Basic Utility Services | 0 | 509,734 | 0 | 0 | 0 | 509,734 |
| Leisure Time Activities | 180,456 | 0 | 0 | 0 | 195,739 | 376,195 |
| Capital Outlay | 0 | 0 | 0 | 0 | 529,884 | 529,884 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 8,595 | 317,689 | 326,284 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 89,089 | 89,089 |
| <i>Total Expenditures</i> | <u>5,770,229</u> | <u>509,734</u> | <u>351,083</u> | <u>2,265,584</u> | <u>2,319,974</u> | <u>11,216,604</u> |
| <i>Net Change in Fund Balances</i> | 547,710 | 1,496 | (28,948) | (101,262) | (78,691) | 340,305 |
| <i>Fund Balances (Deficit)</i> | | | | | | |
| <i>Beginning of Year</i> | <u>(232,332)</u> | <u>(18,842)</u> | <u>(8,541)</u> | <u>570,123</u> | <u>1,206,167</u> | <u>1,516,575</u> |
| <i>Fund Balances (Deficit) End of Year</i> | <u>\$315,378</u> | <u>(\$17,346)</u> | <u>(\$37,489)</u> | <u>\$468,861</u> | <u>\$1,127,476</u> | <u>\$1,856,880</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, 2017*

Net Change in Fund Balances - Total Governmental Funds \$340,305

*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 | 154,986 |
| Depreciation | <u>(1,589,451)</u> |

Total (1,434,465)

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

| | |
|---------------------------|---------------|
| Delinquent Property Taxes | 12,864 |
| Income Taxes | (15,800) |
| Local Permissive Taxes | (1,501) |
| Intergovernmental | 18,928 |
| Special Assessments | <u>10,714</u> |

Total 25,205

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 554,392

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,248,914)

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. 326,284

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 126

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. 51,078

The internal service fund used by management is not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 1,162

Change in Net Position of Governmental Activities (\$1,384,827)

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, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------|-----------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$188,240 | \$208,558 | \$210,593 | \$2,035 |
| Municipal Income Taxes | 2,980,431 | 3,162,799 | 3,264,079 | 101,280 |
| Fees, Licenses and Permits | 190,896 | 204,645 | 208,836 | 4,191 |
| Fines and Forfeitures | 1,214,991 | 1,323,539 | 1,372,459 | 48,920 |
| Intergovernmental | 166,988 | 178,406 | 241,649 | 63,243 |
| Interest | 86 | 93 | 86 | (7) |
| Rentals | 7,235 | 7,881 | 7,946 | 65 |
| Other | 161,664 | 176,109 | 128,905 | (47,204) |
| <i>Total Revenues</i> | 4,910,531 | 5,262,030 | 5,434,553 | 172,523 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,805,824 | 2,097,782 | 1,878,766 | 219,016 |
| Security of Persons and Property | 2,912,411 | 3,051,364 | 2,933,922 | 117,442 |
| Public Health Services | 38,284 | 39,884 | 34,986 | 4,898 |
| Transportation | 20,510 | 20,610 | 13,409 | 7,201 |
| Community Development | 0 | 0 | 75,000 | (75,000) |
| <i>Total Expenditures</i> | 4,777,029 | 5,209,640 | 4,936,083 | 273,557 |
| <i>Net Change in Fund Balance</i> | 133,502 | 52,390 | 498,470 | 446,080 |
| <i>Fund Balance (Deficit) Beginning of Year</i> | (330,625) | (330,625) | (330,625) | 0 |
| Prior Year Encumbrances Appropriated | 52,055 | 52,055 | 52,055 | 0 |
| <i>Fund Balance (Deficit) End of Year</i> | (\$145,068) | (\$226,180) | \$219,900 | \$446,080 |

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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---------------------------------------|-------------------------|----------------|-----------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property Taxes | \$370,563 | \$370,563 | \$376,276 | \$5,713 |
| Municipal Income Taxes | 61,100 | 61,100 | 64,649 | 3,549 |
| Intergovernmental | 62,246 | 64,246 | 65,246 | 1,000 |
| <i>Total Revenues</i> | 493,909 | 495,909 | 506,171 | 10,262 |
| Expenditures | | | | |
| Current: | | | | |
| Basic Utility Services | 512,300 | 513,100 | 509,734 | 3,366 |
| <i>Net Change in Fund Balance</i> | (18,391) | (17,191) | (3,563) | 13,628 |
| <i>Fund Balance Beginning of Year</i> | 18,493 | 18,493 | 18,493 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$102</u> | <u>\$1,302</u> | <u>\$14,930</u> | <u>\$13,628</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, 2017

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|--------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property Taxes | \$273,027 | \$273,027 | \$273,010 | (\$17) |
| Intergovernmental | 49,830 | 49,830 | 49,125 | (705) |
| <i>Total Revenues</i> | 322,857 | 322,857 | 322,135 | (722) |
| Expenditures | | | | |
| Current: | | | | |
| Security of Persons and Property | 313,500 | 314,250 | 351,083 | (36,833) |
| <i>Net Change in Fund Balance</i> | 9,357 | 8,607 | (28,948) | (37,555) |
| <i>Fund Balance (Deficit) Beginning of Year</i> | (8,541) | (8,541) | (8,541) | 0 |
| <i>Fund Balance (Deficit) End of Year</i> | <u>\$816</u> | <u>\$66</u> | <u>(\$37,489)</u> | <u>(\$37,555)</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, 2017*

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---------------------------------------|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Fines and Forfeitures | \$175,000 | \$275,000 | \$531,174 | \$256,174 |
| Intergovernmental | 915,000 | 915,000 | 880,752 | (34,248) |
| Other | 10,000 | 10,000 | 137,220 | 127,220 |
| <i>Total Revenues</i> | <u>1,100,000</u> | <u>1,200,000</u> | <u>1,549,146</u> | <u>349,146</u> |
| Expenditures | | | | |
| Current: | | | | |
| Transportation | 1,093,895 | 1,656,820 | 1,608,651 | 48,169 |
| Debt Service: | | | | |
| Principal Retirement | <u>8,595</u> | <u>8,595</u> | <u>8,595</u> | <u>0</u> |
| <i>Total Expenditures</i> | <u>1,102,490</u> | <u>1,665,415</u> | <u>1,617,246</u> | <u>48,169</u> |
| <i>Net Change in Fund Balance</i> | (2,490) | (465,415) | (68,100) | 397,315 |
| <i>Fund Balance Beginning of Year</i> | 454,177 | 454,177 | 454,177 | 0 |
| Prior Year Encumbrances Appropriated | <u>54,951</u> | <u>54,951</u> | <u>54,951</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$506,638</u> | <u>\$43,713</u> | <u>\$441,028</u> | <u>\$397,315</u> |

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

| | Enterprise | | | Internal Service |
|--|--------------------|--------------------|---------------------|---------------------|
| | Water | Sewer | Total | |
| Assets | | | | |
| <i>Current Assets:</i> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$274,129 | \$1,033,891 | \$1,308,020 | \$976 |
| Intergovernmental Receivable | 668 | 848 | 1,516 | 0 |
| Accounts Receivable | 1,134,035 | 484,824 | 1,618,859 | 0 |
| Special Assessments Receivable | 20,823 | 10,920 | 31,743 | 0 |
| Prepaid Items | 19,377 | 19,681 | 39,058 | 0 |
| Interfund Receivable | 0 | 0 | 0 | 46,390 |
| <i>Total Current Assets</i> | <u>1,449,032</u> | <u>1,550,164</u> | <u>2,999,196</u> | <u>47,366</u> |
| <i>Noncurrent Assets:</i> | | | | |
| Nondepreciable Capital Assets | 1,687,169 | 4,450,429 | 6,137,598 | 0 |
| Depreciable Capital Assets, Net | 2,783,114 | 4,261,066 | 7,044,180 | 0 |
| <i>Total Noncurrent Assets</i> | <u>4,470,283</u> | <u>8,711,495</u> | <u>13,181,778</u> | <u>0</u> |
| <i>Total Assets</i> | <u>5,919,315</u> | <u>10,261,659</u> | <u>16,180,974</u> | <u>47,366</u> |
| Deferred Outflows of Resources | | | | |
| Pension | 307,920 | 443,885 | 751,805 | 0 |
| Liabilities | | | | |
| <i>Current Liabilities:</i> | | | | |
| Accounts Payable | 10,365 | 30,090 | 40,455 | 0 |
| Contracts Payable | 20,580 | 16,207 | 36,787 | 0 |
| Accrued Wages | 18,364 | 26,227 | 44,591 | 0 |
| Intergovernmental Payable | 158,441 | 15,011 | 173,452 | 0 |
| Interfund Payable | 11,358 | 9,302 | 20,660 | 0 |
| Accrued Interest Payable | 2,987 | 9,873 | 12,860 | 0 |
| Compensated Absences Payable | 26,655 | 66,818 | 93,473 | 0 |
| Revenue Bonds Payable | 256,786 | 94,975 | 351,761 | 0 |
| OWDA Loans Payable | 0 | 190,981 | 190,981 | 0 |
| Claims Payable | 0 | 0 | 0 | 46,390 |
| <i>Total Current Liabilities</i> | <u>505,536</u> | <u>459,484</u> | <u>965,020</u> | <u>46,390</u> |
| <i>Long-Term Liabilities (net of current portion):</i> | | | | |
| Compensated Absences Payable | 40,605 | 124,179 | 164,784 | 0 |
| OWDA Loans Payable | 0 | 1,371,787 | 1,371,787 | 0 |
| Net Pension Liability | 812,306 | 1,154,329 | 1,966,635 | 0 |
| <i>Total Long-Term Liabilities</i> | <u>852,911</u> | <u>2,650,295</u> | <u>3,503,206</u> | <u>0</u> |
| <i>Total Liabilities</i> | <u>1,358,447</u> | <u>3,109,779</u> | <u>4,468,226</u> | <u>46,390</u> |
| Deferred Inflows of Resources | | | | |
| Pension | 37,283 | 38,123 | 75,406 | 0 |
| Net Position | | | | |
| Net Investment in Capital Assets | 4,213,497 | 7,053,752 | 11,267,249 | 0 |
| Unrestricted | 618,008 | 503,890 | 1,121,898 | 976 |
| <i>Total Net Position</i> | <u>\$4,831,505</u> | <u>\$7,557,642</u> | <u>\$12,389,147</u> | <u>\$976</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, 2017*

| | Enterprise | | | Internal Service |
|---|---------------------------|---------------------------|----------------------------|---------------------|
| | Water | Sewer | Total | |
| Operating Revenues | | | | |
| Charges for Services | \$4,130,689 | \$2,375,631 | \$6,506,320 | \$1,509,809 |
| Operating Expenses | | | | |
| Personal Services | 818,402 | 1,166,852 | 1,985,254 | 0 |
| Materials and Supplies | 260,954 | 245,396 | 506,350 | 0 |
| Contractual Services | 2,447,615 | 507,169 | 2,954,784 | 256,047 |
| Depreciation | 74,286 | 161,104 | 235,390 | 0 |
| Claims | 0 | 0 | 0 | 1,252,600 |
| Other | 47,828 | 751 | 48,579 | 0 |
| <i>Total Operating Expenses</i> | <u>3,649,085</u> | <u>2,081,272</u> | <u>5,730,357</u> | <u>1,508,647</u> |
| <i>Operating Income (Loss)</i> | <u>481,604</u> | <u>294,359</u> | <u>775,963</u> | <u>1,162</u> |
| Non-Operating Revenues (Expenses) | | | | |
| Interest and Fiscal Charges | (13,322) | (23,142) | (36,464) | 0 |
| Other Non-Operating Revenues | 10,095 | 142,784 | 152,879 | 0 |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>(3,227)</u> | <u>119,642</u> | <u>116,415</u> | <u>0</u> |
| <i>Change in Net Position</i> | 478,377 | 414,001 | 892,378 | 1,162 |
| <i>Net Position (Deficit) Beginning of Year</i> | <u>4,353,128</u> | <u>7,143,641</u> | <u>11,496,769</u> | <u>(186)</u> |
| <i>Net Position End of Year</i> | <u><u>\$4,831,505</u></u> | <u><u>\$7,557,642</u></u> | <u><u>\$12,389,147</u></u> | <u><u>\$976</u></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, 2017

| | Enterprise | | | Internal Service |
|---|------------------|--------------------|--------------------|---------------------|
| | Water | Sewer | Total | |
| <i>Increase (Decrease) in Cash and Cash Equivalents</i> | | | | |
| Cash Flows from Operating Activities | | | | |
| Cash Received from Customers | \$4,088,366 | \$2,358,787 | \$6,447,153 | \$0 |
| Cash Received from Interfund Services Provided | 0 | 0 | 0 | 1,552,857 |
| Special Assessments | 1,795 | 941 | 2,736 | 0 |
| Cash Payments to Employees for Services | (479,543) | (744,652) | (1,224,195) | 0 |
| Cash Payments for Goods and Services | (2,734,313) | (730,332) | (3,464,645) | (256,047) |
| Cash Payments for Claims | 0 | 0 | 0 | (1,295,648) |
| Cash Payments for Interfund Services Provided | (277,428) | (268,469) | (545,897) | 0 |
| Other Cash Payments | (47,828) | (751) | (48,579) | 0 |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>551,049</u> | <u>615,524</u> | <u>1,166,573</u> | <u>1,162</u> |
| Cash Flows from Noncapital Financing Activities | | | | |
| Financing Activities | | | | |
| Non-Operating Revenues Received | 10,095 | 142,784 | 152,879 | 0 |
| Cash used in Repayment of Interfund Loans | 0 | 0 | 0 | (186) |
| <i>Net Cash Provided by (Used for) Noncapital Financing Activities</i> | <u>10,095</u> | <u>142,784</u> | <u>152,879</u> | <u>(186)</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Payments for Capital Acquisitions | (27,548) | (848,634) | (876,182) | 0 |
| Proceeds from OWDA Loans | 0 | 848,634 | 848,634 | 0 |
| Principal Paid on OWDA Loans | (50,148) | (211,940) | (262,088) | 0 |
| Principal Paid on Revenue Bonds | (248,053) | (91,746) | (339,799) | 0 |
| Interest Paid on OWDA Loans | (1,872) | (10,338) | (12,210) | 0 |
| Interest Paid on Revenue Bonds | (15,474) | (5,722) | (21,196) | 0 |
| <i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i> | <u>(343,095)</u> | <u>(319,746)</u> | <u>(662,841)</u> | <u>0</u> |
| <i>Net Increase (Decrease) in Cash and Cash Equivalents</i> | 218,049 | 438,562 | 656,611 | 976 |
| <i>Cash and Cash Equivalents Beginning of Year</i> | <u>56,080</u> | <u>595,329</u> | <u>651,409</u> | <u>0</u> |
| <i>Cash and Cash Equivalents End of Year</i> | <u>\$274,129</u> | <u>\$1,033,891</u> | <u>\$1,308,020</u> | <u>\$976</u> |

(continued)

City of Girard, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2017

| | Enterprise | | | Internal Service |
|--|------------------|------------------|--------------------|---------------------|
| | Water | Sewer | Total | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities | | | | |
| Operating Income (Loss) | \$481,604 | \$294,359 | \$775,963 | \$1,162 |
| Adjustments: | | | | |
| Depreciation | 74,286 | 161,104 | 235,390 | 0 |
| <i>(Increase) Decrease in Assets:</i> | | | | |
| Accounts Receivable | (42,323) | (16,844) | (59,167) | 0 |
| Special Assessments Receivable | 1,795 | 941 | 2,736 | 0 |
| Intergovernmental Receivable | 1,178 | 155,923 | 157,101 | 0 |
| Prepaid Items | 7,640 | (9,082) | (1,442) | 0 |
| Interfund Receivable | 0 | 0 | 0 | 43,048 |
| (Increase) Decrease in Deferred Outflows - Pension | 107,759 | 158,537 | 266,296 | 0 |
| <i>Increase (Decrease) in Liabilities:</i> | | | | |
| Accounts Payable | 230 | 16,538 | 16,768 | 0 |
| Contracts Payable | (150,338) | (138,717) | (289,055) | 0 |
| Accrued Wages | 220 | 2,437 | 2,657 | 0 |
| Compensated Absences Payable | (7,807) | 325 | (7,482) | 0 |
| Intergovernmental Payable | 118,286 | 373 | 118,659 | 0 |
| Interfund Payable | (29,481) | (6,045) | (35,526) | 0 |
| Net Pension Liability | 18,184 | 25,841 | 44,025 | 0 |
| (Increase) Decrease in Deferred Inflows - Pension | (30,184) | (30,166) | (60,350) | 0 |
| Claims Payable | 0 | 0 | 0 | (43,048) |
| <i>Total Adjustments</i> | 69,445 | 321,165 | 390,610 | 0 |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>\$551,049</u> | <u>\$615,524</u> | <u>\$1,166,573</u> | <u>\$1,162</u> |

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

| | Private Purpose Trust | |
|--|--------------------------|----------|
| | Memorial | Agency |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,670 | \$0 |
| Cash and Cash Equivalents in Segregated Accounts | 0 | 99,766 |
| <i>Total Assets</i> | 1,670 | \$99,766 |
| Liabilities | | |
| Undistributed Monies | 0 | \$99,766 |
| Net Position | | |
| Held in Trust for Endowment | \$1,670 | |

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, 2017

| | Private Purpose Trust |
|---------------------------------------|--------------------------|
| | Memorial |
| Additions | \$0 |
| Deductions | |
| Materials and Supplies | 75 |
| <i>Change in Net Position</i> | (75) |
| <i>Net Position Beginning of Year</i> | 1,745 |
| <i>Net Position End of Year</i> | \$1,670 |

See accompanying notes to the basic financial statements

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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 Regional Council of Governments and the Emergency Management Agency, both jointly governed organizations. These organizations are presented in Note 16 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City of Girard have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The 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, 2017

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.

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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.

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, 2017

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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. For the City, deferred outflows of resources are reported in the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

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 until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 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. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government – wide statement of net position (See Note 13).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

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 2017, 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 2017 amount to \$86, \$77 of which was assigned from other City funds.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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, 2017, 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. Restricted assets in the general fund represent unclaimed monies.

Capital Assets

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

The City reports infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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.

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.

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability 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).

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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 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.

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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.

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 | | | | |
| Community Development | Contractual Services | \$0 | \$75,000 | (\$75,000) |
| <i>Sub-total for Community Development</i> | | <u>\$0</u> | <u>\$75,000</u> | <u>(\$75,000)</u> |

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

| Fund/Function | Object | Appropriations | Expenditures Plus Encumbrances | Variance |
|----------------------------------|----------------------|------------------|-----------------------------------|-------------------|
| Fire Levy | | | | |
| Security of Persons and Property | Personal Services | \$308,000 | \$344,953 | (\$36,953) |
| Security of Persons and Property | Contractual Services | 6,250 | 6,130 | 120 |
| <i>Total Fire Levy</i> | | <u>\$314,250</u> | <u>\$351,083</u> | <u>(\$36,833)</u> |

The general fund had original appropriations of \$4,777,029 in excess of estimated resources plus carryover balances of \$4,631,961 contrary to Section 5705.39, Ohio Revised Code.

The general fund had final appropriations of \$5,209,640 in excess of estimated resources plus carryover balances of \$4,983,460 in violation of Section 5705.39, Ohio Revised Code.

The City had negative cash balances of \$37,489 and \$15,587 in the fire levy and the municipal probation special revenue funds, respectively, indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10.

Accountability

Fund balances at December 31, 2017, include the following individual fund deficits:

| | <u>Deficit Fund Balances</u> |
|---------------------------------|------------------------------|
| <i>Major Funds:</i> | |
| Garbage | \$17,346 |
| Fire Levy | 37,489 |
| <i>Other Governmental Fund:</i> | |
| Municipal Probation | 7,118 |

The deficit in the garbage special revenue fund is caused by the recognition of expenditures on the modified accrual basis of accounting.

The deficits in the fire levy and the municipal probation special revenue funds resulted from the City expending more than they received in revenue.

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).

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Budgetary revenues and expenditures of the health, recreation and federal assistance 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:

| | Net Change in Fund Balances | | | |
|--|-----------------------------|------------------|-------------------|---|
| | General | Garbage | Fire Levy | Street Construction Maintenance and Repair |
| GAAP Basis | \$547,710 | \$1,496 | (\$28,948) | (\$101,262) |
| Net Adjustment for Revenue Accruals | (17,079) | (5,059) | 0 | (202,760) |
| Perspective Difference: | | | | |
| Health | (8,227) | 0 | 0 | 0 |
| Recreation | 16,359 | 0 | 0 | 0 |
| Federal Assistance | 340 | 0 | 0 | 0 |
| Net Adjustment for Expenditures Accruals | (31,703) | 0 | 0 | 243,246 |
| Encumbrances | (8,930) | 0 | 0 | (7,324) |
| Budget Basis | <u>\$498,470</u> | <u>(\$3,563)</u> | <u>(\$28,948)</u> | <u>(\$68,100)</u> |

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

The City has passed an ordinance allowing the City to invest monies not required to be used for a 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

Investments are reported at fair value. As of December 31, 2017, the City's only investment was a money market mutual fund with a fair value, as a level one input, of \$26,681.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2017. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs).

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 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:

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

| Fund Balances | General | Garbage | Fire Levy | Street Construction Maintenance and Repair | Other Governmental Funds | Total |
|------------------------------------|------------------|-------------------|-------------------|---|--------------------------------|--------------------|
| <i>Nonspendable</i> | | | | | | |
| Prepays | \$16,770 | \$0 | \$0 | \$2,532 | \$1,500 | \$20,802 |
| Unclaimed Monies | 35,951 | 0 | 0 | 0 | 0 | 35,951 |
| <i>Total Nonspendable</i> | 52,721 | 0 | 0 | 2,532 | 1,500 | 56,753 |
| <i>Restricted for</i> | | | | | | |
| General Government | 0 | 0 | 0 | 0 | 46,358 | 46,358 |
| Public Safety | 3,322 | 0 | 0 | 0 | 20,987 | 24,309 |
| Police Pension | 0 | 0 | 0 | 0 | 4,938 | 4,938 |
| Fire Pension | 0 | 0 | 0 | 0 | 8,410 | 8,410 |
| Senior Activities | 0 | 0 | 0 | 0 | 2,072 | 2,072 |
| Street Maintenance | 0 | 0 | 0 | 466,329 | 158,798 | 625,127 |
| Landfill | 5 | 0 | 0 | 0 | 0 | 5 |
| Public Health and Welfare | 0 | 0 | 0 | 0 | 65,193 | 65,193 |
| Community Development | 0 | 0 | 0 | 0 | 112,745 | 112,745 |
| Debt Service | 0 | 0 | 0 | 0 | 142,528 | 142,528 |
| Capital Improvements | 0 | 0 | 0 | 0 | 571,065 | 571,065 |
| <i>Total Restricted</i> | 3,327 | 0 | 0 | 466,329 | 1,133,094 | 1,602,750 |
| <i>Assigned to</i> | | | | | | |
| <i>Purchases on Order:</i> | | | | | | |
| General Government | 3,913 | 0 | 0 | 0 | 0 | 3,913 |
| Security of Persons and Property | 2,513 | 0 | 0 | 0 | 0 | 2,513 |
| Recreation | 35,797 | 0 | 0 | 0 | 0 | 35,797 |
| Health | 33,278 | 0 | 0 | 0 | 0 | 33,278 |
| Rental Inspection | 15,651 | 0 | 0 | 0 | 0 | 15,651 |
| Reimbursements | 35,059 | 0 | 0 | 0 | 0 | 35,059 |
| <i>Total Assigned</i> | 126,211 | 0 | 0 | 0 | 0 | 126,211 |
| <i>Unassigned (Deficit)</i> | 133,119 | (17,346) | (37,489) | 0 | (7,118) | 71,166 |
| <i>Total Fund Balances</i> | \$315,378 | (\$17,346) | (\$37,489) | \$468,861 | \$1,127,476 | \$1,856,880 |

Note 7 - Receivables

Receivables at December 31, 2017, consisted primarily of municipal income taxes, property 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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2016 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was \$14.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2017 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|----------------------------|-----------------------------|
| Real Estate | |
| Residential/Agricultural | \$83,924,470 |
| Other Real Estate | 20,149,810 |
| Tangible Personal Property | |
| Public Utility | <u>5,236,520</u> |
| Total Assessed Values | <u><u>\$109,310,800</u></u> |

In 2016, the voters passed a 0.5 mill recreation levy to provide increased parks and wellness services for the City and its residents. This levy began collections in calendar year 2017.

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, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 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, 2017

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: 88.9 percent went to the general fund (January through December), 9.3 percent went to the general obligation bond retirement fund (January through December) and 1.8 percent went to the garbage fund (January through December).

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

| | <u>Amounts</u> |
|---|-------------------------|
| Governmental Activities | |
| Gasoline and Municipal Cents per Gallon | \$211,740 |
| Homestead and Rollback | 99,507 |
| Ohio Shared Services | 68,855 |
| Motor Vehicle License Tax | 64,763 |
| Local Government | 54,407 |
| Municipal Court | 40,839 |
| BWC True-up Credit | <u>4,475</u> |
| Total Governmental Activities | <u><u>\$544,586</u></u> |
| | |
| Business-Type Activities | |
| BWC True-up Credit | <u><u>\$1,516</u></u> |

Note 8 - Compensated Absences

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

Note 9 - Contingencies

Litigation

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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, 2017.

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

| | Balance 12/31/2016 | Additions | Deductions | Balance 12/31/2017 |
|---|-----------------------|------------------|------------|-----------------------|
| Business Type Activities: | | | | |
| <i>Capital Assets not being Depreciated:</i> | | | | |
| Land | \$4,387,169 | \$0 | \$0 | \$4,387,169 |
| Construction in Progress | 901,795 | 848,634 | 0 | 1,750,429 |
| <i>Total Capital Assets not being Depreciated</i> | <u>5,288,964</u> | <u>848,634</u> | <u>0</u> | <u>6,137,598</u> |
| <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 | 355,407 | 27,548 | 0 | 382,955 |
| Infrastructure | 1,009,147 | 0 | 0 | 1,009,147 |
| Total Capital Assets being Depreciated | <u>13,994,318</u> | <u>27,548</u> | <u>0</u> | <u>14,021,866</u> |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Buildings | (2,409,992) | (63,898) | 0 | (2,473,890) |
| Building Improvements | (2,668,187) | (58,791) | 0 | (2,726,978) |
| Furniture and Equipment | (617,882) | (82,619) | 0 | (700,501) |
| Vehicles | (292,973) | (9,900) | 0 | (302,873) |
| Infrastructure | (753,262) | (20,182) | 0 | (773,444) |
| <i>Total Accumulated Depreciation</i> | <u>(6,742,296)</u> | <u>(235,390)</u> | <u>0</u> | <u>(6,977,686)</u> |
| Total Capital Assets being Depreciated, Net | <u>7,252,022</u> | <u>(207,842)</u> | <u>0</u> | <u>7,044,180</u> |
| Business Type Activities Capital Assets, Net | <u>\$12,540,986</u> | <u>\$640,792</u> | <u>\$0</u> | <u>\$13,181,778</u> |

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

| Governmental Activities | Balance 12/31/2016 | Additions | Deductions | Balance 12/31/2017 |
|--|-----------------------|----------------------|------------|-----------------------|
| <i>Capital Assets not being Depreciated:</i> | | | | |
| Land | \$1,114,360 | \$0 | \$0 | \$1,114,360 |
| <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 | 1,713,422 | 0 | 0 | 1,713,422 |
| Vehicles | 2,182,943 | 154,986 | 0 | 2,337,929 |
| 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 | 80,628,269 | 154,986 | 0 | 80,783,255 |
| <i>Less Accumulated Depreciation:</i> | | | | |
| Buildings | (2,602,856) | (81,583) | 0 | (2,684,439) |
| Building Improvements | (114,364) | (4,249) | 0 | (118,613) |
| Furniture and Equipment | (1,591,137) | (17,198) | 0 | (1,608,335) |
| Vehicles | (914,397) | (136,664) | 0 | (1,051,061) |
| Infrastructure: | | | | |
| Streets | (41,997,362) | (1,051,109) | 0 | (43,048,471) |
| Sidewalks | (10,315,008) | (257,875) | 0 | (10,572,883) |
| Curbs | (1,630,912) | (40,773) | 0 | (1,671,685) |
| Total Accumulated Depreciation | (59,166,036) | (1,589,451) * | 0 | (60,755,487) |
| Total Capital Assets being Depreciated, Net | 21,462,233 | (1,434,465) | 0 | 20,027,768 |
| Governmental Activities Capital Assets, Net | \$22,576,593 | (\$1,434,465) | \$0 | \$21,142,128 |

*Depreciation expense was charged to governmental activities as follows:

| | |
|-----------------------------------|--------------------|
| General Government | \$63,355 |
| Security of Persons and Property | 116,408 |
| Public Health Services | 3,665 |
| Transportation | 1,094,845 |
| Community Development | 298,648 |
| Basic Utility Services | 7,158 |
| Leisure Time Activities | 5,372 |
| Total Depreciation Expense | \$1,589,451 |

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 11 - Long-Term Obligations

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

| Debt Issue | Interest Rate | Original Issue | Year of Maturity |
|---|---------------|----------------|------------------|
| Business-Type Activities: | | | |
| <i>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 |
| Liberty Water | 6.36 | 47,158 | 2017 |
| WWTF Peak Flow Treatment | 1.00 | 1,943,641 | 2022 |
| Governmental Activities: | | | |
| Various Purpose Bonds, Series 2016 | 3.73 | 2,276,507 | 2021 |
| Ohio Public Works Commission Loan | 0.00 | 171,896 | 2019 |
| Police and Fire Pension | 4.25 | 377,328 | 2035 |

A schedule of changes in bonds and other long-term obligations of the City during 2017 follows:

| | Amount Outstanding 12/31/2016 | Additions | Deletions | Amount Outstanding 12/31/2017 | Amounts Due In One Year |
|---|-------------------------------------|--------------------|--------------------|-------------------------------------|-------------------------------|
| Business-Type Activities: | | | | | |
| <i>Special Obligation Bonds</i> | | | | | |
| Water System Revenue Bonds | \$691,560 | \$0 | (\$339,799) | \$351,761 | \$351,761 |
| <i>Ohio Water Development Authority Loans</i> | | | | | |
| OWDA Water and Sewer Loan | 33,347 | 0 | (33,347) | 0 | 0 |
| Water Distribution | 36,721 | 0 | (36,721) | 0 | 0 |
| Liberty Water | 1,989 | 0 | (1,989) | 0 | 0 |
| WWTF Peak Flow Treatment | 904,165 | 848,634 | (190,031) | 1,562,768 | 190,981 |
| Total Ohio Water Development Authority Loans | 976,222 | 848,634 | (262,088) | 1,562,768 | 190,981 |
| Net Pension Liability - OPERS: | | | | | |
| Water | 664,461 | 147,845 | 0 | 812,306 | 0 |
| Sewer | 944,234 | 210,095 | 0 | 1,154,329 | 0 |
| Total Net Pension Liability | 1,608,695 | 357,940 | 0 | 1,966,635 | 0 |
| Compensated Absences | 265,739 | 95,801 | (103,283) | 258,257 | 93,473 |
| Total Business-Type Activities Obligations | \$3,542,216 | \$1,302,375 | (\$705,170) | \$4,139,421 | \$636,215 |

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

| | Amount Outstanding 12/31/2016 | Additions | Deletions | Amount Outstanding 12/31/2017 | Amounts Due In One Year |
|--|-------------------------------------|------------------|--------------------|-------------------------------------|-------------------------------|
| Governmental Activities Obligations: | | | | | |
| Net Pension Liability: | | | | | |
| OPERS | \$1,888,469 | \$420,189 | \$0 | \$2,308,658 | \$0 |
| OP&F | 6,207,333 | 0 | (43,498) | 6,163,835 | 0 |
| Total Net Pension Liability | 8,095,802 | 420,189 | (43,498) | 8,472,493 | 0 |
| Various Purpose Bonds, Series 2016 | 2,276,507 | 0 | (309,651) | 1,966,856 | 309,651 |
| Ohio Public Works Commission Loan | 25,784 | 0 | (8,595) | 17,189 | 8,595 |
| Compensated Absences | 754,616 | 231,551 | (282,629) | 703,538 | 272,303 |
| Police and Fire Pension | 218,031 | 0 | (8,038) | 209,993 | 8,389 |
| <i>Total Governmental Activities Obligations</i> | <u>\$11,370,740</u> | <u>\$651,740</u> | <u>(\$652,411)</u> | <u>\$11,370,069</u> | <u>\$598,938</u> |

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. The City pays obligations related to employee compensation from the fund benefitting from their service. 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. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: general fund, fire pension, cemetery, street repair and maintenance special revenue funds and the water and sewer enterprise funds. For additional information related to the net pension liability see Note 13. 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, 2016, the City issued \$2,276,507 in various purpose improvement bonds for the justice center and street widening project. The interest rates on the bonds are 3.73 percent and they mature on June 28, 2021. The bonds will be paid from the bond retirement fund.

In 2016, the City was approved for a \$1,943,641 Ohio Water Development Authority loan for the WWTF Peak Flow Treatment project. Total current year additions of \$848,634 consisted of proceeds of \$848,634. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

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 are expected to require less than 57 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$263,527. Principal and interest paid for the current year and total net revenues were \$315,547 and \$555,890 respectively.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

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 are expected to require less than 71 percent of net revenues. The total principal and interest remaining to be paid on bonds and finalized loans is \$97,469. Principal and interest paid for the current year and total net revenues were \$319,746 and \$455,463 respectively.

The City's overall legal debt margin was \$9,284,356 at December 31, 2017. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017, are as follows:

Business-Type Activities:

| | <u>Special Obligation Bonds</u> | |
|------|---------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | <u>\$351,761</u> | <u>\$9,235</u> |

Governmental Activities:

| | <u>Police and Fire Pension</u> | | <u>Various Purpose Bonds Series 2016</u> | | <u>OPWC Loan</u> |
|-----------|--------------------------------|-----------------|--|------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> |
| 2018 | \$8,389 | \$8,784 | \$309,651 | \$73,364 | \$8,595 |
| 2019 | 8,754 | 8,419 | 309,651 | 61,814 | 8,594 |
| 2020 | 9,130 | 8,043 | 309,650 | 50,264 | 0 |
| 2021 | 9,514 | 7,659 | 1,037,904 | 38,714 | 0 |
| 2022 | 9,907 | 7,266 | 0 | 0 | 0 |
| 2023-2027 | 55,553 | 30,312 | 0 | 0 | 0 |
| 2028-2032 | 65,326 | 20,539 | 0 | 0 | 0 |
| 2033-2035 | 43,420 | 8,095 | 0 | 0 | 0 |
| Total | <u>\$209,993</u> | <u>\$99,117</u> | <u>\$1,966,856</u> | <u>\$224,156</u> | <u>\$17,189</u> |

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 12 - 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 2017, 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 | 25,113,820 |
| Inland Marine | 1,503,415 |
| Commercial Crime | 25,000 |
| Bonds - Employees and Officials | 10,000 |

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

Employee Insurance Benefits

The City has elected to provide vision, dental, prescription drug, and hospital/medical benefits to its employees through a self insured program. The 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 \$46,390 have been accrued as a liability based on a review of January 2018 billings provided by the City Auditor's Office.

The claims liability of \$46,390 reported in the internal service fund at December 31, 2017 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 2016 and 2017 were:

| | Balance at Beginning of Year | Current Year Claims | Claim Payments | Balance at End of Year |
|------|------------------------------------|---------------------------|-------------------|------------------------------|
| 2016 | \$135,643 | \$1,089,783 | \$1,135,988 | \$89,438 |
| 2017 | 89,438 | 1,252,600 | 1,295,648 | 46,390 |

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Workers' Compensation

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

Note 13 - Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

City of Girard, Ohio
Notes to the Basic Financial Statements
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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local |
|--|--------------------|
| 2017 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee | 10.0 % |
| 2017 Actual Contribution Rates | |
| Employer: | |
| Pension | 13.0 % |
| Post-employment Health Care Benefits | 1.0 |
| Total Employer | 14.0 % |
| Employee | 10.0 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$300,034 for 2017. Of this amount, \$47,058 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits.)

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police | Firefighters |
|--|-------------|--------------|
| 2017 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2017 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$392,373 for 2017. Of this amount, \$63,163 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was \$209,993 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

| | <u>OPERS</u> | <u>OP&F</u> | |
|--|--------------------|-------------------|--------------|
| Proportion of the Net Pension Liability: | | | |
| Current Measurement Date | 0.0188270% | 0.0973150% | |
| Prior Measurement Date | <u>0.0201900%</u> | <u>0.0964910%</u> | |
| Change in Proportionate Share | <u>-0.0013630%</u> | <u>0.0008240%</u> | |
| | | | <u>Total</u> |
| Proportionate Share of the Net Pension Liability | \$4,275,293 | \$6,163,835 | \$10,439,128 |
| Pension Expense | \$843,446 | \$793,454 | \$1,636,900 |

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>OPERS</u> | <u>OP&F</u> | <u>Total</u> |
|---|--------------------|--------------------|--------------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$5,795 | \$1,744 | \$7,539 |
| Changes of assumptions | 678,114 | 0 | 678,114 |
| Net difference between projected and actual earnings on pension plan investments | 636,690 | 599,406 | 1,236,096 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 6,314 | 412,865 | 419,179 |
| City contributions subsequent to the measurement date | <u>300,034</u> | <u>392,373</u> | <u>692,407</u> |
| Total Deferred Outflows of Resources | <u>\$1,626,947</u> | <u>\$1,406,388</u> | <u>\$3,033,335</u> |
| Deferred Inflows of Resources | | | |
| Differences between expected and actual experience | \$25,444 | \$14,192 | \$39,636 |
| Changes in proportion and differences between City contributions and proportionate share of contributions | <u>131,069</u> | <u>0</u> | <u>131,069</u> |
| Total Deferred Inflows of Resources | <u>\$156,513</u> | <u>\$14,192</u> | <u>\$170,705</u> |

\$692,407 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|--------------------|------------------|--------------------|
| 2018 | \$471,015 | \$324,416 | \$795,431 |
| 2019 | 496,467 | 324,416 | 820,883 |
| 2020 | 221,580 | 270,097 | 491,677 |
| 2021 | (18,662) | 56,100 | 37,438 |
| 2022 | 0 | 24,033 | 24,033 |
| Thereafter | 0 | 761 | 761 |
| Total | <u>\$1,170,400</u> | <u>\$999,823</u> | <u>\$2,170,223</u> |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented below.

| | December 31, 2016 | December 31, 2015 |
|--|---|--|
| Wage Inflation | 3.25 percent | 3.75 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation | 4.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA: | | |
| Pre-January 7, 2013 Retirees | 3 percent, simple | 3 percent, simple |
| Post-January 7, 2013 Retirees | 3 percent, simple through 2018, then 2.15 percent, simple | 3 percent, simple through 2018, then 2.8 percent, simple |
| Investment Rate of Return | 7.5 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income | 23.00 % | 2.75 % |
| Domestic Equities | 20.70 | 6.34 |
| Real Estate | 10.00 | 4.75 |
| Private Equity | 10.00 | 8.97 |
| International Equities | 18.30 | 7.95 |
| Other investments | 18.00 | 4.92 |
| Total | 100.00 % | 5.66 % |

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$6,531,463 | \$4,275,293 | \$2,395,171 |

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

| | |
|----------------------------|--|
| Valuation Date | January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| | plus productivity increase rate of 0.5 percent |
| Cost of Living Adjustments | 3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2016, are summarized below:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--|--------------------------|---|
| Cash and Cash Equivalents | - % | 0.00 % |
| Domestic Equity | 16.00 | 5.21 |
| Non-US Equity | 16.00 | 5.40 |
| Core Fixed Income * | 20.00 | 2.37 |
| Global Inflation Protected Securities* | 20.00 | 2.33 |
| High Yield | 15.00 | 4.48 |
| Real Estate | 12.00 | 5.65 |
| Private Markets | 8.00 | 7.99 |
| Timber | 5.00 | 6.87 |
| Master Limited Partnerships | 8.00 | 7.36 |
| Total | <u>120.00 %</u> | |

Note: Assumptions are geometric.

* levered 2x

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

OP&F's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability | \$8,209,497 | \$6,163,835 | \$4,430,108 |

Changes between Measurement Date and Report Date

In October 2017, the OP&F Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact to the City's net pension liability.

Note 14 – Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The 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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016 and 2015 was \$23,080, \$48,675 and \$50,257, respectively. For 2017, 84.32 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

Police and Fire Pension Fund

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, 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 Government Accounting Standards Board (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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required 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 percent of covered payroll for police and fire employer units. 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 administered 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 2017, the portion of employer contributions allocated to health care was 0.5 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).

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

The City's contribution to OP&F for the years ended December 31, 2017, 2016 and 2015 were \$401,579, \$387,547 and \$393,709, respectively, of which \$9,206, \$8,940 and \$9,097, respectively, was allocated to the healthcare plan. For 2017, 83.98 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2016 and 2015.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 15 - Interfund Balances

Interfund balances at December 31, 2016, consisted of (1) a \$53,076 interfund receivable/payable between the general fund and the fire levy and municipal probation special revenue funds due to negative cash and (2) a \$46,390 interfund receivable/payable between the internal service fund and the various governmental and enterprise funds 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>Governmental Funds</i> | | | |
| General | \$0 | \$22,038 | \$22,038 |
| Fire Levy | 37,489 | 0 | 37,489 |
| Street Construction, Maintenance and Repair | 0 | 3,661 | 3,661 |
| Other Governmental Funds | 15,587 | 31 | 15,618 |
| <i>Total Governmental Funds</i> | <u>53,076</u> | <u>25,730</u> | <u>78,806</u> |
| Water | 0 | 11,358 | 11,358 |
| Sewer | 0 | 9,302 | 9,302 |
| <i>Total Enterprise Funds</i> | <u>0</u> | <u>20,660</u> | <u>20,660</u> |
| <i>Totals</i> | <u>\$53,076</u> | <u>\$46,390</u> | <u>\$99,466</u> |

Note 16 - Jointly Governed Organizations

Eastgate Regional Council of Governments

The Eastgate Regional Council of Governments (ERCG) is a jointly governed organization that is committed to fostering cooperative regional efforts in the planning, programming and implementation of public sector activities. ERCG has forty-eight participating members. These include representatives from Trumbull County and Mahoning County, township trustees and officials from participating cities and villages. The operation of ERCG is controlled by a general policy board which consists of a representative from each participant. Each member's degree of control is limited to its representation on the board. Funding comes from each of the participants. In 2017, the City contributed \$3,684 to the Eastgate Regional Council of Governments. For more information contact John R. Getchey, executive director, at 5121 Mahoning Avenue, Youngstown, Ohio 44515.

Emergency Management Agency

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County that was created to ensure that the State, and the citizens residing in it, are prepared to respond to an emergency or disaster and to lead mitigation efforts against the effect of future disasters. 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. Funding comes from each of the participants. In 2017, the City contributed \$2,091 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2017

Note 17 – 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 | \$8,930 | Water fund | \$7,870 |
| Street Construction, Maintenance and Repair | 7,324 | Sewer fund | 11,693 |
| Other Governmental Funds | 17,421 | Total Proprietary | <u>19,563</u> |
| Total Governmental | <u>\$33,675</u> | | |

Note 18 – Change in Accounting Principle

For 2017, the City implemented the Governmental Accounting Standards Board’s (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 19 – Subsequent Event

Council passed ordinance 49-15 on March 26, 2018 authorizing the director of public service to enter into contracts with the low bidders for the Girard waste water treatment facility peak flow and equalization improvement project for a price not to exceed \$17,951,689. Per the OWDA website, the City is approved for \$21,610,055 in related financing.

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Required Supplementary Information

City of Girard, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Four Years (1)

| | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.0188270% | 0.0201900% | 0.0204000% | 0.0204000% |
| City's Proportionate Share of the Net Pension Liability | \$4,275,293 | \$3,497,164 | \$2,460,467 | \$2,404,894 |
| City's Covered Payroll | \$2,433,767 | \$2,512,833 | \$2,500,917 | \$2,561,854 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 175.67% | 139.17% | 98.38% | 93.87% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.25% | 81.08% | 86.45% | 86.36% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date which is the prior year end.

City of Girard, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Police and Fire Pension Fund
*Last Four Years (1)**

| | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|
| City's Proportion of the Net Pension Liability | 0.0973150% | 0.0964910% | 0.0852964% | 0.0852964% |
| City's Proportionate Share of the Net Pension Liability | \$6,163,835 | \$6,207,333 | \$4,418,709 | \$4,154,202 |
| City's Covered Payroll | \$1,788,048 | \$1,819,362 | \$1,681,335 | \$1,570,617 |
| City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 344.72% | 341.18% | 262.81% | 264.49% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 68.36% | 66.77% | 71.71% | 73.00% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

City of Girard, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|
| Contractually Required Contribution | \$300,034 | \$292,052 | \$301,540 |
| Contributions in Relation to the Contractually Required Contribution | <u>(300,034)</u> | <u>(292,052)</u> | <u>(301,540)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$2,307,954 | \$2,433,767 | \$2,512,833 |
| Contributions as a Percentage of Covered Payroll | 13.00% | 12.00% | 12.00% |

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

| 2014 | 2013 |
|-------------|-------------|
| \$300,110 | \$333,041 |
| (300,110) | (333,041) |
| \$0 | \$0 |
| \$2,500,917 | \$2,561,854 |
| 12.00% | 13.00% |

City of Girard, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|------------------|------------------|------------------|------------------|
| Contractually Required Contribution | \$392,373 | \$378,607 | \$384,612 | \$356,960 |
| Contributions in Relation to the Contractually Required Contribution | <u>(392,373)</u> | <u>(378,607)</u> | <u>(384,612)</u> | <u>(356,960)</u> |
| Contribution Deficiency (Excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| City Covered Payroll | \$1,841,298 | \$1,788,048 | \$1,819,362 | \$1,681,335 |
| Contributions as a Percentage of Covered Payroll | 21.31% | 21.17% | 21.14% | 21.23% |

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$279,541 | \$262,560 | \$282,535 | \$258,828 | \$246,708 | \$248,908 |
| <u>(279,541)</u> | <u>(262,560)</u> | <u>(282,535)</u> | <u>(258,828)</u> | <u>(246,708)</u> | <u>(248,908)</u> |
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| \$1,570,617 | \$1,765,717 | \$1,909,227 | \$1,735,014 | \$1,660,712 | \$1,670,300 |
| 17.80% | 14.87% | 14.80% | 14.92% | 14.86% | 14.90% |

City of Girard, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2017

Changes in Assumptions - OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

| | December 31, 2017 | December 31, 2016 and Prior |
|---|--|---|
| Wage Inflation | 3.25 percent | 3.75 percent |
| Future Salary Increases, including inflation | 3.25 to 10.75 percent including wage inflation | 4.25 to 10.05 percent including wage inflation |
| COLA or Ad Hoc COLA: | | |
| Pre-January 7, 2013 Retirees | 3 percent, simple | 3 percent, simple |
| Post-January 7, 2013 Retirees | 3 percent, simple through 2018, then 2.15 percent, simple | 3 percent, simple through 2018, then 2.8 percent, simple |
| Investment Rate of Return | 7.5 percent | 8 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| <i>Passed Through the Ohio Development Services Agency:</i> | | | |
| Community Development Block Grants - Small Cities Program: | 14.239 | not available | <u>\$94,948</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>94,948</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | |
| <i>Passed Through Ohio Department of Transportation</i> | | | |
| Highway Planning and Construction | 20.205 | 102161 | <u>644,025</u> |
| Total U.S. Department of Transportation | | | <u>644,025</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| <i>Passed through the Ohio Department of Aging/Area Agency on Aging:</i> | | | |
| Special Programs for the Aging_ Title III, Part B | 93.044 | not available | <u>15,149</u> |
| Total U.S. Department of Health and Huam Services | | | <u>15,149</u> |
| Total Expenditures of Federal Awards | | | <u>\$754,122</u> |

The accompanying notes are an integral part of this schedule.

CITY OF GIRARD
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CITY OF GIRARD
TRUMBULL COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Girard, Ohio 44420 (the Government's) under programs of the federal government for the year ended **December 31, 2017**. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Government

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. The cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) and HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) GRANT PROGRAMS with REVOLVING LOAN CASH BALANCE

The current cash balance on the Governments local program income account as of **December 31, 2017** is **\$64,088**.



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2018. 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. Also noted in Note 3 to the financial statements, the City has suffered losses from operations and has Fire Levy Special Revenue Fund fund balance deficits as of December 31, 2016 of (\$37,489).

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 2017-001, 2017-004, 2017-005, and 2017-008 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 2017-006 and 2017-007 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 2017-001 through 2017-003.

City'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 subject the City's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 5, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Honorable Mayor and City Council:

Report on Compliance for Major Federal Program

We have audited the City of Girard's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect's major federal for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

Report on Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the 's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses, described in the accompanying schedule of findings as items 2017-009 and 2017-010.

The City's responses to our internal control over compliance findings are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 5, 2018

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified – Government-Type Activities, General, Garbage, Fire Levy, Street Construction, Maintenance and Repair, Remaining Fund Info Qualified – Business-Type Activities, Water Fund, Sewer, Fund |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | Yes |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR §200.516(a)? | Yes |
| (d)(1)(vii) | Major Programs (list): | Highway Planning and Construction – 20.205 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR §200.520? | No |

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

1. Bank vs Book Reconciliations

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-001 |
|-----------------------|----------|

NONCOMPLIANCE AND MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

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. During 2017, the City Auditor did not perform complete and accurate bank reconciliations. The City Auditor could not identify receipt and disbursement transactions that were not posted or posted in error and make subsequent corrections to the accounting system. The City Auditor did not provide accurate fund balances to City management on a monthly basis. The bank reconciliations provided for audit were not complete or accurate and the City Auditor was unable to identify the unreconciled unknown balances. As a result, the Auditor of State's Local Government Services Division assisted the City in reconciling its 2017 activity.

Upon conclusion of the reconciliations being performed, the City's books were understated at year end by \$84,179 for receipts and disbursements occurring in 2017. Receipts were understated by \$101,283 and disbursements were understated by \$185,462. The number of reconciling adjustments, for transactions that were not posted to the City's accounting system or were posted in error, totaled 160. The following fund balance adjustments were necessary:

| Fund | Amount |
|-----------------------------|----------|
| General Fund | \$74,701 |
| Muni Court Special Projects | 345 |
| Street Construction | 10,352 |
| State Highway | 47 |
| Recreation | 571 |
| Rental Inspection | 940 |
| Community Block Grant | (456) |
| CHIPS / CHIS | 74 |
| OWDA Debt Service | (74,548) |
| Water Revenue | 29,536 |
| Sewer Rental | 38,904 |
| Cemetery | 2,278 |
| Cemetery TC Tomko | (21) |
| Cemetery TC King Sek | (3) |
| Cemetery Mausoleum | (45) |
| Municipal Probation | 1,512 |
| Lakes / Dam Projects | (8) |
| Total | \$84,179 |

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

The outstanding check list from the City's primary and payroll checking accounts contained 277 checks totaling \$83,720 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.

2. Negative Fund Balances

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-002 |
|-----------------------|----------|

NONCOMPLIANCE

Ohio Rev. Code § 5705.10(l) 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 for funds tested:

- Recreation Fund in the amount of (\$34,045)
- Fire Levy Fund in the amount of (\$37,489)
- Water Revenue Fund in the amount of (\$35,020)
- Municipal Probation Services Fund in the amount of (\$17,099)

The City had the following negative fund balances during the year for funds tested:

- General Fund amounts ranging in the amount of (\$216,683) to (\$666,403) for the months ending from January through November;
- Garbage Fund with amounts ranging from (\$36,449) to (\$474,145) for the months ending January through September;
- Ambulance Hospitalization Fund in the amount of (\$165,532) to (\$1,386,678) for the months ending January through November;
- Recreation Fund in the amount of (\$24,847) to (\$25,774) for the months ending January through March
- Fire Levy Fund in the amount of (\$8,276) to (\$75,897) for the months ending January through March, July, August, October and November;
- General Bond Fund with amounts ranging from (\$8,956) to (\$37,155) for the months ending June and July;
- Water Revenue Fund with amounts ranging from (\$142,480) to (\$1,326,664) for the months ending January through November;
- Sewer Rental Fund in the amount of (\$56,929) to (\$142,177) for the months ending January and February; and
- Cemetery Fund in the amount of (\$1,598) to (\$3,060) for the months ending January and March.

The City did not have policies and procedures in place to help prevent negative balances.

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.

3. Water System Revenue Bond Requirements

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-003 |
|-----------------------|----------|

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 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.

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 help ensure compliance with City Ordinance 7883-13.

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.

4. Utility Accounts Receivable

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-004 |
|-----------------------|----------|

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 Assets – 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, 2017.

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

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.

5. Account Classifications

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-005 |
|-----------------------|----------|

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Ohio Administrative Code Section 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 issues speeding citations through the use of photo camera enforcement. A contracted service provider handles the billing and collections and then remits the City share on a monthly basis. The City posted Fines and Forfeitures revenue (net of related expenditures) in the amounts of \$820,000, \$531,174, \$67,459, and \$415,245 in the General, SCMR, Recreation, and Police Capital Improvement funds respectively. The City should have recorded the gross Fines and Forfeitures revenue of \$1,455,609, \$943,590, \$119,667, \$737,609 and Security of Persons and Property expenditures of \$635,609, \$412,416, \$52,208, \$322,364 for the General, SCMR, Recreation, and Police Capital Improvement funds respectively.
- The City makes debt payment related to the Justice Center 2016 Series Bonds from the Bond Fund. The Court General/Special Projects Fund (Project Fund) reimbursed the Bond Fund for a portion of the debt payments in the amount of \$100,000. The City accounted for the transaction by recording a Capital Outlay expenditure in the Project Fund and corresponding Other revenue in the Bond Fund. The City should have recorded a Principal Retirement expenditure in the Project Fund and a reduction of Principal Retirement in the Bond Fund. This accounting error overstated Other revenue and Principal Retirement in the Bond Fund.
- The City received Homestead and Rollback revenue from the State in amounts totaling \$195,535. The City did not allocate revenue to the proper funds in accordance with County Statements of Semiannual Apportionment of Taxes. Intergovernmental Revenue and Cash were over/(under) stated as follows:

| Fund | Amount |
|----------------|---------|
| General | \$1,795 |
| Garbage | 2,023 |
| Recreation | (3,414) |
| Fire Levy | 65 |
| Senior Levy | (29) |
| Cemetery | (150) |
| Fire Pension | (145) |
| Police Pension | (145) |

The City has also adjusted their accounting system fund balances for these errors.

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 errors were 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 received County property tax revenue, allocated for the Recreation Fund, in the amount of \$51,219. The City recorded the revenue as Other. The revenue should have been recorded as Property Taxes.
- The City employs a court magistrate which is paid out of the General Fund. The Court General Special Project Fund (Project Fund) reimbursed the General Fund for a portion of payroll related costs in the amount of \$20,874. The City accounted for the transaction by recording a Capital Outlay expenditure in the Project Fund and corresponding Fines and Forfeitures revenue in the General Fund. The City should have recorded a General Government expenditure in the Project Fund and a reduction of General Government expenditure in the General Fund. This accounting error overstated Fines and Forfeitures revenue and General Government expenditures for the General Fund in the amount of \$20,874.
- The City employs probation officers who are paid out of the General Fund. The Municipal Probation Services Fund (Probation Fund) reimbursed the General Fund for a portion of payroll related costs in the amount of \$187,033. The City accounted for the transaction by recording a Community Development expenditure in the Probation Fund and corresponding Fines and Forfeitures revenue in the General Fund. The City should have recorded a reduction of General Government expenditure in the General Fund instead of Fines and Forfeitures revenue. This accounting error overstated Fines and Forfeitures revenue and General Government expenditures for the General Fund in the amount of \$187,033.
- The City employs deputy clerks who are paid out of the General Fund. The Court Computer Fund B reimbursed the General Fund for a portion of payroll related costs in the amount of \$20,000. The City accounted for the transaction by recording a Capital Outlay expenditure in Computer Fund B and corresponding Fines and Forfeitures revenue in the General Fund. The City should have recorded a General Government expenditure in Computer Fund B and a reduction of General Government expenditure in the General Fund. This accounting error overstated Fines and Forfeitures revenue and General Government expenditures for the General Fund in the amount of \$20,000.
- The City received OPWC grant funds for the Glendale Avenue Bridge and the 2017 Street Paving projects in amounts totaling of \$51,225. The City recorded the revenue in the SCMR fund as Other. The revenue should have been recorded as Intergovernmental.

- The City received OPWC grant funds for the Little Squaw Creek Project in the amount of \$139,238. The City recorded the revenue as Sewer Fund Other Non-Operating. The revenue should have been posted as Capital Contributions.
- The City received Indigent Drivers Alcohol Treatment funding from the State in the amount of \$6,667. The City recorded the revenue as IDAT Fund Fines & Forfeitures. The revenue should have been recorded as Intergovernmental.
- The City received Law Enforcement Assistance funding from the State in the amount of \$6,000. The City recorded the revenue as Law Enforcement Drug Fund Fines & Forfeitures. The revenue should have been recorded as Intergovernmental.

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 and make any necessary corrections in a timely manner. The City Council should review and approve bank reconciliations at the monthly Council meetings.

6. Lack of Monitoring

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|-----------------------|----------|
| <i>Finding Number</i> | 2017-006 |
|-----------------------|----------|

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. Subsection (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.
- (2) 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.
- (3) 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.
- (4) 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.
- (4) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The lack of effective monitoring controls contributed to an environment which allowed undetected errors affecting the monthly bank versus book reconciliations, un-posted and un-budgeted on-behalf monies, budgetary law violations, incomplete capital asset records, 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.

7. Health Plan Administrator Monitoring

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-007 |
|-----------------------|----------|

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.

Attestation standard (AT-C 320) *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, prescribes standards for reporting on service organizations. An unmodified Type 1 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description, and on the Suitability of the Design and Operating Effectiveness of Controls (SOC 1) in accordance with AT-C 320 should provide the City with reasonable assurance.

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 AT-C 320 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. ODOT On-Behalf Monies not Recorded

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2017-008 |
|-----------------------|----------|

MATERIAL WEAKNESS

See (federal) finding # 2017-009 below; *Government Auditing Standards* also requires us to report this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. ODOT On-Behalf Monies not Recorded

| | | | |
|---|--|------------------------------------|--|
| Finding Number | 2017-009 | | |
| CFDA Title and Number | Highway Planning and Construction – 20.205 | | |
| Federal Award Identification Number / Year | 102161/2017 | | |
| Federal Agency | US Department of Transportation | | |
| Compliance Requirement | n/a – not a compliance requirement | | |
| Pass-Through Entity | Ohio Department of Transportation | | |
| Repeat Finding from Prior Audit? | No | Finding Number? (if repeat) | |

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Auditor of State Bulletins 2000-008 provides guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

In 2017, the City did not record the related revenues and expenditures for the on-behalf monies they received from the Ohio Department of Transportation (ODOT) totaling \$644,025 on their financial statements nor on their federal schedule. These monies were paid directly from ODOT to the appropriate contractor. The financial statements have been corrected to include this activity. When these monies were recorded on the federal schedule the total federal expenditures exceeded the single audit threshold of \$750,000, which necessitated a federal single audit.

The City did not have adequate internal controls to make sure the funding was recorded properly.

The City should record on-behalf monies to the extent the City has received a benefit from each project.

2. Federal Schedule

| | | | |
|---|--|------------------------------------|--|
| Finding Number | 2017-010 | | |
| CFDA Title and Number | Highway Planning and Construction – 20.205 | | |
| Federal Award Identification Number / Year | 102161/2017 | | |
| Federal Agency | US Department of Transportation | | |
| Compliance Requirement | n/a – not a compliance requirement | | |
| Pass-Through Entity | Ohio Department of Transportation | | |
| Repeat Finding from Prior Audit? | No | Finding Number? (if repeat) | |

MATERIAL WEAKNESS

2 CFR 200.508(b) and .510(b) outline a number of auditee responsibilities. These include:

- Identify all federal awards received and expended and the federal programs under which they were received, by CFDA (Catalog of Federal Domestic Assistance) number, CFDA title, year, name of federal agency and name of pass-through agency (if applicable).
- Prepare financial statements and a schedule of expenditures of federal awards; at a minimum, the schedule of expenditures of Federal awards shall provide total Federal awards expended for each individual Federal program.

In 2017, the City recorded total receipts on their Schedule of Expenditures of Federal Awards (the Schedule) rather than disbursements. Additionally, the City did not include the related expenditures for the on-behalf monies they received from the Ohio Department of Transportation (ODOT) totaling \$644,025 on their Federal Schedule. The City updated their federal schedule as needed.

The City Auditor should ensure the accuracy of the Schedule by ensuring federal disbursements reflected in the Schedule is supported by the City's ledgers.

Official's Responses: See the Corrective Action Plan

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**CITY OF GIRARD
 TRUMBULL COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2017**

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|---------------|---|
| 2016-001 | Bank Versus Book Reconciliations (initially occurred 2007) | Not corrected | The City will continue to try to get better, more thorough, efficient, and more timely. |
| 2016-002 | Negative Fund Balances (initially occurred 2014) | Not corrected | The City will continue to try to get better, more thorough, efficient, and more timely. |
| 2016-003 | Actual expenditures exceeded appropriations | Not corrected | Improvement in the financial position of the City should correct this |
| 2016-004 | Water System Revenue Bond Requirements (initially occurred 2014) | Not corrected | The City will continue to try to get better, more thorough, efficient, and more timely. |
| 2016-005 | Utility Accounts Receivable (initially occurred 2006) | Not corrected | The City will continue to try to get better, more thorough, efficient, and more timely. |
| 2016-006 | Account Classifications (initially occurred 2011) | Not corrected | The City will continue to try to get better, more thorough, efficient, and more timely. |
| 2016-007 | Lack of Monitoring (initially occurred 2014) | Not corrected | The City will continue to try to get better, more thorough, efficient, and more timely. |
| 2016-008 | Health Plan Administrators SOC 1 Report (initially occurred 2011) | Not corrected | The City will continue to try to get better, more thorough, efficient, and more timely. |

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CITY OF GIRARD

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Corrective Action Plan
2 CFR & 200.51: c
31-Dec-17

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2017-01 | The City has hired LGS to train staff in methods and procedures to ensure success | 2018 | Samuel Zirafi |
| 2017-02 | The City has historically passed annual appropriations and amended them to match any changes prior to year end, The City will continue to do so. | 2018 | Samuel Zirafi |
| 2017-03 | In 2018 the City has paid off this debt. Should any additional projects of this type occur, it will be handled per finding. | As of 2018 completed | Samuel Zirafi |
| 2017-04 | The City uses a collection agency, as well as, places liens on property to collect unpaid water bills. Council will be asked to right off long term debt, deemed uncollectable. | 2018 | Samuel Zirafi |
| 217-05 | The City will review the current process and correct adjust accordingly. | 2018 | Samuel Zirafi |
| 2017-06 | New Policies will researched and enacted. | | Samuel Zirafi |
| 2017-07 | The City, as in the past, will again bring this issue to their current provider | 2018 | Jerome Lambert |
| 2017-08 | Once identified, the City will handle these issues on a past through basis. | 2018 | Samuel Zirafi |
| 2017-09 | Once identified, the City will handle these issues on a past through basis. | 2018 | Samuel Zirafi |
| 2017-10 | Once identified, the City will handle these issues on a past through basis. | 2018 | Samuel Zirafi |

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Dave Yost • Auditor of State

CITY OF GIRARD

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 27, 2018