

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Members of City Council  
City of Girard  
100 West Main Street  
Girard, Ohio 44420

We have reviewed the *Independent Auditor's Report* of the City of Girard, Trumbull County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Girard is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 2, 2013

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**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of City Council  
City of Girard, Ohio

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, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Girard, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Ohio, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, the Fire Levy Fund, and the Garbage Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which restated its December 31, 2010 fund balances of the Governmental Funds due to a change in fund structure coupled with a reclassification of a pension liability between governmental funds and a restatement of net assets of Governmental Activities due to an overstatement of intergovernmental receivables.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013, on our consideration of the City of Girard, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

July 24, 2013

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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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, 2011. 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 2011 are as follows:

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

**Using this Annual Financial Report**

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

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

**Reporting on the City of Girard as a Whole**

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

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

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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

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

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

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

#### **Reporting on the Most Significant Funds of the City of Girard**

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

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

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

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

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
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The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

**The City of Girard as a Whole**

The Statement of Net Assets provides an overall view of the City. Table 1 shows a summary of the City's net assets for 2011 as they compare to 2010.

(Table 1)  
*Net Assets*

	Governmental Activites		Business-Type Activites		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets</b>						
Current and Other Assets	\$4,754,277	\$4,659,821	\$1,579,596	\$1,565,064	\$6,333,873	\$6,224,885
Capital Assets, Net	28,994,934	30,116,632	10,961,818	11,081,093	39,956,752	41,197,725
<i>Total Assets</i>	<u>33,749,211</u>	<u>34,776,453</u>	<u>12,541,414</u>	<u>12,646,157</u>	<u>46,290,625</u>	<u>47,422,610</u>
<b>Liabilities</b>						
Current Liabilities	2,072,042	6,106,820	367,951	134,322	2,439,993	6,241,142
Long-term Liabilities						
Due within one Year	158,016	81,470	298,385	251,618	456,401	333,088
Due in More than one Year	4,493,918	791,948	1,256,538	1,500,077	5,750,456	2,292,025
<i>Total Liabilities</i>	<u>\$6,723,976</u>	<u>\$6,980,238</u>	<u>\$1,922,874</u>	<u>\$1,886,017</u>	<u>\$8,646,850</u>	<u>\$8,866,255</u>

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

(Table 1)  
*Net Assets (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$24,763,987	\$25,734,663	\$9,570,741	\$9,508,679	\$34,334,728	\$35,243,342
Restricted for:						
Capital Projects	91,800	92,122	0	0	91,800	92,122
Debt Service	7,482	142,122	0	0	7,482	142,122
State Highway Maintenance	46,293	25,009	0	0	46,293	25,009
Street Resurfacing and Traffic Lights	191,199	63,901	0	0	191,199	63,901
Garbage Collection	133,165	120,531	0	0	133,165	120,531
Other Purposes	935,664	1,118,312	0	0	935,664	1,118,312
Unrestricted (Deficit)	855,645	499,555	1,047,799	1,251,461	1,903,444	1,751,016
<i>Total Net Assets</i>	<u>\$27,025,235</u>	<u>\$27,796,215</u>	<u>\$10,618,540</u>	<u>\$10,760,140</u>	<u>\$37,643,775</u>	<u>\$38,556,355</u>

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

In order to further understand what makes up the changes in net assets for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net assets for the fiscal year 2011 and 2010.

(Table 2)  
*Changes in Net Assets*

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Program Revenues</b>						
Charges for Services and Assessments	\$1,445,995	\$1,802,894	\$4,543,487	\$4,713,121	\$5,989,482	\$6,516,015
Operating Grants and Contributions	1,411,883	1,838,486	0	0	1,411,883	1,838,486
Capital Grants	40,000	49,153	15,729	0	55,729	49,153
<i>Total Program Revenues</i>	<u>2,897,878</u>	<u>3,690,533</u>	<u>4,559,216</u>	<u>4,713,121</u>	<u>7,457,094</u>	<u>8,403,654</u>
<b>General Revenues</b>						
Property Taxes	1,286,149	1,054,616	0	0	1,286,149	1,054,616
Municipal Income Tax	3,763,584	2,986,076	0	0	3,763,584	2,986,076
Grants and Entitlements not Restricted to Specific Programs	351,153	414,991	0	400,000	351,153	814,991
Interest	1,508	3,472	41	0	1,549	3,472
Miscellaneous	171,112	149,411	1,664	6,410	172,776	155,821
<i>Total General Revenues</i>	<u>5,573,506</u>	<u>4,608,566</u>	<u>1,705</u>	<u>406,410</u>	<u>5,575,211</u>	<u>5,014,976</u>
<i>Total Revenues</i>	<u>\$8,471,384</u>	<u>\$8,299,099</u>	<u>\$4,560,921</u>	<u>\$5,119,531</u>	<u>\$13,032,305</u>	<u>\$13,418,630</u>

**City of Girard**  
*Management's Discussion and Analysis*  
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(Table 2)  
*Changes in Net Assets (continued)*

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>Program Expenses</b>						
General Government	\$2,242,910	\$2,538,361	\$0	\$0	\$2,242,910	\$2,538,361
Security of Persons and Property	3,219,741	3,107,184	0	0	3,219,741	3,107,184
Public Health Services	175,569	150,846	0	0	175,569	150,846
Transportation	1,865,733	2,015,263	0	0	1,865,733	2,015,263
Community Development	788,968	1,145,802	0	0	788,968	1,145,802
Basic Utility Services	500,231	488,400	0	0	500,231	488,400
Leisure Time Activities	296,052	311,248	0	0	296,052	311,248
Interest and Fiscal Charges	153,160	175,633	0	0	153,160	175,633
Water	0	0	2,830,300	2,636,330	2,830,300	2,636,330
Sewer	0	0	1,872,221	2,005,719	1,872,221	2,005,719
<i>Total Program Expenses</i>	<u>9,242,364</u>	<u>9,932,737</u>	<u>4,702,521</u>	<u>4,642,049</u>	<u>13,944,885</u>	<u>14,574,786</u>
<i>Change in Net Assets</i>	(770,980)	(1,633,638)	(141,600)	477,482	(912,580)	(1,156,156)
Net Assets Beginning of the Year	<u>27,796,215</u>	<u>29,429,853</u>	<u>10,760,140</u>	<u>10,282,658</u>	<u>38,556,355</u>	<u>39,712,511</u>
Net Assets End of the Year	<u>\$27,025,235</u>	<u>\$27,796,215</u>	<u>\$10,618,540</u>	<u>\$10,760,140</u>	<u>\$37,643,775</u>	<u>\$38,556,355</u>

**Governmental Activities**

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. There was an increase in income tax collections in 2011, a sign of the improving economy and from the expansion of the V & M Star plant. The revenue collected from the income tax, less funds necessary to pay the administrative fees for RITA and to cover refunds, are receipted into the following funds: 91 percent went to the general fund (January through July) and 82 percent (August through December), 9.0 percent went to the general obligation bond retirement fund (January through July) and 18 percent (August through December).

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

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

General government expenses declined from 2010, mainly due to wage freezes and cost cutting measures by the finance, mayor and council departments. The largest governmental activities expenses are for the police and fire departments. The police department employs sixteen officers including the police chief and one full-time and four part-time dispatchers. The fire department employs thirteen full-time positions.

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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

The transportation department had decreases in costs from 2010, due to a mild winter season decreasing monies spent on supplies.

**Business-Type Activities**

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated revenues of \$2,801,249 from water and \$1,759,672 from the sewer plant facility. Water and sewer expenses for 2011 amounted to \$2,830,300 and \$1,872,221, respectively. For 2011, 7,119 water customers and 3,899 sewer customers were serviced. Approximately 45 million gallons are billed and processed on a monthly basis.

**The City's Funds**

Information about the City's governmental funds begins on page 14. The funds are accounted for using the modified accrual method of accounting. The general fund concluded the year with a positive fund balance. The bond retirement fund ended the year with a negative fund balance due to the issuance of short-term notes. The City continues to maintain overall services that were offered prior to the placement into fiscal emergency, although there has been some reduction. The City continues to strive to reduce the negative fund deficits that were the cause of the fiscal emergency. As of the end of 2011, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated. A five year forecast is currently being developed and will be submitted as required by law.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$4,543,487 and total operating expenses of \$4,619,087. 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 2011, actual revenues for the general fund were less than final estimated revenues due to less income taxes and fines and forfeitures collections than actually expected. City Council's actual expenditures were more than final appropriations due to higher than anticipated general government expenses. Actual revenues for the fire levy special revenue fund were less than final estimated revenues due to fewer property tax revenues received than expected. Actual expenditures were less than final appropriations due to less than anticipated expenses. Actual revenues for the garbage special revenue fund were less than final estimated revenues due to less property tax and intergovernmental revenue than expected. Actual expenditures were less than final appropriations due to fewer contractual services.

The original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year. During the course of 2011, the City amended its general fund budget numerous times, in response to conservative revenue projections being surpassed.

**City of Girard**  
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**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 governmental operations.

Total capital assets for the business-type activities, net of accumulated depreciation decreased due to an additional year of accumulated depreciation being taken. See Note 9 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	
	2011	2010	2011	2010	2011	2010
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvements	6,937,591	7,024,476	6,104,039	6,226,727	13,041,630	13,251,203
Furniture and Equipment	182,883	169,741	250,707	288,194	433,590	457,935
Vehicles	507,464	205,662	63,103	81,514	570,567	287,176
Infrastructure						
Streets	15,813,636	16,864,745	0	0	15,813,636	16,864,745
Sidewalks	3,868,128	4,126,003	0	0	3,868,128	4,126,003
Curbs	611,592	652,365	0	0	611,592	652,365
Water and Sewer Lines	0	0	356,800	297,489	356,800	297,489
Total Capital Assets	<u>\$28,994,934</u>	<u>\$30,116,632</u>	<u>\$10,961,818</u>	<u>\$11,081,093</u>	<u>\$39,956,752</u>	<u>\$41,197,725</u>

**Long-term Obligations**

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

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Notes Payable	\$3,470,045	\$0	\$0	\$0	\$3,470,045	\$0
OPWC Loan	68,759	77,354	0	0	68,759	77,354
OWDA Loans	0	0	1,391,077	1,572,414	1,391,077	1,572,414
Capital Leases	288,033	0	0	0	288,033	0
Compensated Absences	571,710	536,473	163,846	179,281	735,556	715,754
Police and Fire Pension	253,387	259,591	0	0	253,387	259,591
Total	<u>\$4,651,934</u>	<u>\$873,418</u>	<u>\$1,554,923</u>	<u>\$1,751,695</u>	<u>\$6,206,857</u>	<u>\$2,625,113</u>

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2011*  
*Unaudited*

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

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

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

The City issued various purpose notes for the justice center and street widening project. The notes are being paid from the debt service fund.

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

The City of Girard's overall legal debt margin was \$9,362,426 on December 31, 2011. For more information about the City's long-term obligations, see Note 10 to the basic financial statements.

### **Current Financial Issues**

The City of Girard was placed in fiscal emergency in 2001. The City continues to maintain overall services that were offered prior to the placement into fiscal emergency, although there has been some reduction. The City continues to strive to reduce the negative fund deficits that were the cause of the fiscal emergency. As of the end of 2011, all negative balances associated with those funds responsible for the fiscal emergency status have been eliminated.

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the City of Girard, the Auditor of State performed an analysis of the City of Girard to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the City of Girard no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the City of Girard and its role in the operation of the City of Girard was terminated as of June 7, 2012.

### **Contacting the City of Girard's Financial Management**

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

## City of Girard, Ohio

### Statement of Net Assets

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,183,367	\$728,400	\$1,911,767
Accrued Interest Receivable	131	0	131
Accounts Receivable	42,605	993,358	1,035,963
Internal Balances	221,497	(221,497)	0
Intergovernmental Receivable	586,867	0	586,867
Property Taxes Receivable	1,459,874	0	1,459,874
Income Taxes Receivable	1,181,253	0	1,181,253
Special Assessments Receivable	22,369	48,084	70,453
Loans Receivable	44,814	0	44,814
Prepaid Items	11,500	31,251	42,751
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	27,921,294	6,774,649	34,695,943
<i>Total Assets</i>	<u>33,749,211</u>	<u>12,541,414</u>	<u>46,290,625</u>
<b>Liabilities</b>			
Accounts Payable	77,001	104,174	181,175
Contracts Payable	4,962	0	4,962
Accrued Wages	62,267	19,547	81,814
Intergovernmental Payable	242,828	201,077	443,905
Accrued Interest Payable	53,202	43,153	96,355
Claims Payable	78,746	0	78,746
Deferred Revenue	1,148,926	0	1,148,926
Notes Payable	404,110	0	404,110
Long-Term Liabilities:			
Due Within One Year	158,016	298,385	456,401
Due In More Than One Year	4,493,918	1,256,538	5,750,456
<i>Total Liabilities</i>	<u>6,723,976</u>	<u>1,922,874</u>	<u>8,646,850</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	24,763,987	9,570,741	34,334,728
Restricted for:			
Capital Projects	91,800	0	91,800
Debt Service	7,482	0	7,482
State Highway Maintenance	46,293	0	46,293
Street Resurfacing and Traffic Lights	191,199	0	191,199
Garbage Collection	133,165	0	133,165
Other Purposes	935,664	0	935,664
Unrestricted	855,645	1,047,799	1,903,444
<i>Total Net Assets</i>	<u>\$27,025,235</u>	<u>\$10,618,540</u>	<u>\$37,643,775</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2011

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
General Government	\$2,242,910	\$674,996	\$22,563	\$40,000
Security of Persons and Property	3,219,741	492,278	109,859	0
Public Health Services	175,569	95,311	3,336	0
Transportation	1,865,733	2,508	1,004,072	0
Community Development	788,968	180,902	156,047	0
Basic Utility Services	500,231	0	82,958	0
Leisure Time Activities	296,052	0	33,048	0
Interest and Fiscal Charges	153,160	0	0	0
<i>Total Governmental Activities</i>	<u>9,242,364</u>	<u>1,445,995</u>	<u>1,411,883</u>	<u>40,000</u>
<b>Business-Type Activities:</b>				
Water	2,830,300	2,785,485	0	15,729
Sewer	1,872,221	1,758,002	0	0
<i>Total Business-Type Activities</i>	<u>4,702,521</u>	<u>4,543,487</u>	<u>0</u>	<u>15,729</u>
<i>Total</i>	<u>\$13,944,885</u>	<u>\$5,989,482</u>	<u>\$1,411,883</u>	<u>\$55,729</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Garbage

Fire

Police

Cemetery

Senior Services

Income Taxes Levied for:

General Purposes

Debt Service

Grants and Entitlements not Restricted  
to Specific Programs

Interest

Other

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - Restated (See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,505,351)	\$0	(\$1,505,351)
(2,617,604)	0	(2,617,604)
(76,922)	0	(76,922)
(859,153)	0	(859,153)
(452,019)	0	(452,019)
(417,273)	0	(417,273)
(263,004)	0	(263,004)
(153,160)	0	(153,160)
(6,344,486)	0	(6,344,486)
0	(29,086)	(29,086)
0	(114,219)	(114,219)
0	(143,305)	(143,305)
(6,344,486)	(143,305)	(6,487,791)
250,071	0	250,071
422,410	0	422,410
353,128	0	353,128
36,701	0	36,701
22,633	0	22,633
201,206	0	201,206
3,171,096	0	3,171,096
592,488	0	592,488
351,153	0	351,153
1,508	41	1,549
171,112	1,664	172,776
5,573,506	1,705	5,575,211
(770,980)	(141,600)	(912,580)
27,796,215	10,760,140	38,556,355
<u>\$27,025,235</u>	<u>\$10,618,540</u>	<u>\$37,643,775</u>

**City of Girard, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2011*

	General	Fire Levy	Garbage	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$401,907	\$3,934	\$37,979	\$1,621	\$707,824	\$1,153,265
Receivables:						
Property Taxes	284,001	364,617	483,673	0	327,583	1,459,874
Income Taxes	968,627	0	0	212,626	0	1,181,253
Accounts	17,796	0	0	0	24,809	42,605
Intergovernmental	133,522	26,872	33,588	0	392,885	586,867
Special Assessments	22,369	0	0	0	0	22,369
Accrued Interest	131	0	0	0	0	131
Interfund Receivable	175,000	0	0	0	0	175,000
Prepaid Items	10,500	0	0	0	1,000	11,500
Loans Receivable	0	0	0	0	44,814	44,814
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	25,866	0	0	0	0	25,866
<b>Total Assets</b>	<b>\$2,039,719</b>	<b>\$395,423</b>	<b>\$555,240</b>	<b>\$214,247</b>	<b>\$1,498,915</b>	<b>\$4,703,544</b>
<b>Liabilities</b>						
Accounts Payable	\$14,135	\$0	\$41,423	\$0	\$21,443	\$77,001
Contracts Payable	1,275	0	0	0	3,687	4,962
Accrued Wages	54,240	0	0	0	8,027	62,267
Intergovernmental Payable	225,693	0	0	0	17,135	242,828
Interfund Payable	20,459	0	0	0	7,554	28,013
Deferred Revenue	1,103,963	391,489	517,261	149,703	663,386	2,825,802
Notes Payable	0	0	0	404,110	0	404,110
<b>Total Liabilities</b>	<b>1,419,765</b>	<b>391,489</b>	<b>558,684</b>	<b>553,813</b>	<b>721,232</b>	<b>3,644,983</b>
<b>Fund Balances</b>						
Nonspendable	36,366	0	0	0	1,000	37,366
Restricted	7,744	3,934	0	0	776,947	788,625
Assigned	65,049	0	0	0	0	65,049
Unassigned (Deficit)	510,795	0	(3,444)	(339,566)	(264)	167,521
<b>Total Fund Balances (Deficit)</b>	<b>619,954</b>	<b>3,934</b>	<b>(3,444)</b>	<b>(339,566)</b>	<b>777,683</b>	<b>1,058,561</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,039,719</b>	<b>\$395,423</b>	<b>\$555,240</b>	<b>\$214,247</b>	<b>\$1,498,915</b>	<b>\$4,703,544</b>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2011*

<b>Total Governmental Fund Balances</b>	<b>\$1,058,561</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	28,994,934
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	310,948
Income Taxes	831,686
Intergovernmental	511,873
Special Assessments	<u>22,369</u>
Total	1,676,876
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(53,202)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
OPWC Loans Payable	(68,759)
Capital Leases	(288,033)
Compensated Absences	(571,710)
Notes Payable	(3,470,045)
Police and Fire Pension Loan	<u>(253,387)</u>
Total	<u>(4,651,934)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$27,025,235</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, 2011*

	General	Fire Levy	Garbage	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$239,456	\$298,996	\$400,809	\$0	\$280,787	\$1,220,048
Municipal Income Taxes	3,619,137	0	0	502,260	0	4,121,397
Special Assessments	18,859	0	0	0	0	18,859
Charges for Services	0	0	0	0	56,607	56,607
Fees, Licenses and Permits	478,374	0	0	0	125	478,499
Fines and Forfeitures	494,168	0	0	0	361,133	855,301
Intergovernmental	369,431	55,020	75,179	0	1,413,611	1,913,241
Interest	1,013	0	0	0	495	1,508
Rentals	32,167	0	0	0	0	32,167
Contributions and Donations	0	0	0	0	1,586	1,586
Other	153,747	5,651	0	0	11,714	171,112
<i>Total Revenues</i>	<u>5,406,352</u>	<u>359,667</u>	<u>475,988</u>	<u>502,260</u>	<u>2,126,058</u>	<u>8,870,325</u>
<b>Expenditures</b>						
Current:						
General Government	2,058,319	0	0	0	8,383	2,066,702
Security of Persons and Property	2,681,850	357,623	0	0	130,076	3,169,549
Public Health Services	88,920	0	0	0	82,997	171,917
Transportation	14,646	0	0	0	1,111,443	1,126,089
Community Development	0	0	0	0	488,462	488,462
Basic Utility Services	0	0	492,734	0	0	492,734
Leisure Time Activities	68,850	0	0	0	221,450	290,300
Capital Outlay	0	0	0	0	166,815	166,815
Debt Service:						
Principal Retirement	0	0	0	0	49,995	49,995
Interest and Fiscal Charges	0	0	0	89,903	10,969	100,872
<i>Total Expenditures</i>	<u>4,912,585</u>	<u>357,623</u>	<u>492,734</u>	<u>89,903</u>	<u>2,270,590</u>	<u>8,123,435</u>
<i>Excess of Revenues</i> <i>Over (Under) Expenditures</i>	<u>493,767</u>	<u>2,044</u>	<u>(16,746)</u>	<u>412,357</u>	<u>(144,532)</u>	<u>746,890</u>
<b>Other Financing Sources</b>						
Inception of Capital Lease	0	0	0	0	323,229	323,229
Proceeds of Refunding Notes	0	0	0	3,470,045	0	3,470,045
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,470,045</u>	<u>323,229</u>	<u>3,793,274</u>
<i>Net Change in Fund Balances</i>	493,767	2,044	(16,746)	3,882,402	178,697	4,540,164
<i>Fund Balances (Deficit)</i>						
<i>Beginning of Year - Restated (See Note 3)</i>	<u>126,187</u>	<u>1,890</u>	<u>13,302</u>	<u>(4,221,968)</u>	<u>598,986</u>	<u>(3,481,603)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u><u>\$619,954</u></u>	<u><u>\$3,934</u></u>	<u><u>(\$3,444)</u></u>	<u><u>(\$339,566)</u></u>	<u><u>\$777,683</u></u>	<u><u>\$1,058,561</u></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, 2011*

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**Net Change in Fund Balances - Total Governmental Funds** \$4,540,164

*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 Outlay	407,899
Depreciation	<u>(1,527,464)</u>

Total (1,119,565)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities of activities, a gain or loss is reported for each disposal. (2,133)

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

Property Taxes	66,101
Income Taxes	(357,813)
Intergovernmental	(111,791)
Special Assessments	<u>4,562</u>

Total (398,941)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 49,995

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (52,288)

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. (35,237)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities.

Inception of Capital Lease	(323,229)
Refunding Notes Issued	<u>(3,470,045)</u>

Total (3,793,274)

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

Change in Net Assets	50,458
Internal Balances	<u>(10,159)</u>

Total 40,299

*Change in Net Assets of Governmental Activities* (\$770,980)

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, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$278,726	\$278,726	\$239,456	(\$39,270)
Municipal Income Taxes	3,611,400	3,595,000	3,496,678	(98,322)
Fees, Licenses and Permits	234,800	234,800	256,218	21,418
Fines and Forfeitures	662,000	662,000	493,973	(168,027)
Intergovernmental	310,524	310,524	350,839	40,315
Interest	4,000	4,000	1,108	(2,892)
Rentals	35,000	35,000	32,167	(2,833)
Other	13,000	13,000	116,267	103,267
<i>Total Revenues</i>	5,149,450	5,133,050	4,986,706	(146,344)
<b>Expenditures</b>				
Current:				
General Government	1,614,575	1,668,568	1,719,146	(50,578)
Security of Persons and Property	2,587,718	2,674,286	2,660,822	13,464
Public Health Services	67,266	69,640	66,796	2,844
Transportation	14,300	14,780	14,469	311
<i>Total Expenditures</i>	4,283,859	4,427,274	4,461,233	(33,959)
<i>Excess of Revenues Over Expenditures</i>	865,591	705,776	525,473	(180,303)
<b>Other Financing Uses</b>				
Advances Out	0	0	(175,000)	(175,000)
<i>Net Change in Fund Balance</i>	865,591	705,776	350,473	(355,303)
<i>Fund Balance Beginning of Year</i>	11,517	11,517	11,517	0
Prior Year Encumbrances Appropriated	10,395	10,395	10,395	0
<i>Fund Balance End of Year</i>	\$887,503	\$727,688	\$372,385	(\$355,303)

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, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$322,558	\$322,558	\$298,996	(\$23,562)
Intergovernmental	59,356	59,356	55,020	(4,336)
Other	<u>6,096</u>	<u>6,095</u>	<u>5,651</u>	<u>(444)</u>
<i>Total Revenues</i>	388,010	388,009	359,667	(28,342)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	<u>389,900</u>	<u>357,753</u>	<u>357,623</u>	<u>130</u>
<i>Net Change in Fund Balance</i>	(1,890)	30,256	2,044	(28,212)
<i>Fund Balance Beginning of Year</i>	<u>1,890</u>	<u>1,890</u>	<u>1,890</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$32,146</u></u>	<u><u>\$3,934</u></u>	<u><u>(\$28,212)</u></u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Garbage Fund*  
*For the Year Ended December 31, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$432,747	\$432,747	\$400,809	(\$31,938)
Intergovernmental	81,170	81,170	75,179	(5,991)
<i>Total Revenues</i>	513,917	513,917	475,988	(37,929)
<b>Expenditures</b>				
Current:				
Basic Utility Services	495,000	495,000	451,311	43,689
<i>Net Change in Fund Balance</i>	18,917	18,917	24,677	5,760
<i>Fund Balance Beginning of Year</i>	13,302	13,302	13,302	0
<i>Fund Balance End of Year</i>	<u>\$32,219</u>	<u>\$32,219</u>	<u>\$37,979</u>	<u>\$5,760</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2011*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$302,785	\$425,615	\$728,400	\$4,236
Accounts Receivable	660,269	333,089	993,358	0
Special Assessments Receivable	40,501	7,583	48,084	0
Prepaid Items	11,000	20,251	31,251	0
Interfund Receivable	0	0	0	74,510
<i>Total Current Assets</i>	<u>1,014,555</u>	<u>786,538</u>	<u>1,801,093</u>	<u>78,746</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	2,001,538	4,773,111	6,774,649	0
<i>Total Noncurrent Assets</i>	<u>3,688,707</u>	<u>7,273,111</u>	<u>10,961,818</u>	<u>0</u>
<i>Total Assets</i>	<u>4,703,262</u>	<u>8,059,649</u>	<u>12,762,911</u>	<u>78,746</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	84,245	19,929	104,174	0
Accrued Wages	7,132	12,415	19,547	0
Intergovernmental Payable	154,894	46,183	201,077	0
Interfund Payable	200,713	20,784	221,497	0
Accrued Interest Payable	37,207	5,946	43,153	0
Compensated Absences Payable	3,444	21,444	24,888	0
OWDA Loans Payable	239,866	33,631	273,497	0
Claims Payable	0	0	0	78,746
<i>Total Current Liabilities</i>	<u>727,501</u>	<u>160,332</u>	<u>887,833</u>	<u>78,746</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	41,328	97,630	138,958	0
OWDA Loans Payable	940,739	176,841	1,117,580	0
<i>Total Long-Term Liabilities</i>	<u>982,067</u>	<u>274,471</u>	<u>1,256,538</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,709,568</u>	<u>434,803</u>	<u>2,144,371</u>	<u>78,746</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,508,102	7,062,639	9,570,741	0
Unrestricted	485,592	562,207	1,047,799	0
<i>Total Net Assets</i>	<u>\$2,993,694</u>	<u>\$7,624,846</u>	<u>\$10,618,540</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2011*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Operating Revenues</b>				
Charges for Services	\$2,785,485	\$1,758,002	\$4,543,487	\$1,319,139
<b>Operating Expenses</b>				
Personal Services	682,328	1,026,203	1,708,531	0
Materials and Supplies	49,321	133,810	183,131	0
Contractual Services	1,945,218	529,954	2,475,172	267,290
Depreciation	37,737	161,032	198,769	0
Claims	0	0	0	1,001,391
Other	41,241	12,243	53,484	0
<i>Total Operating Expenses</i>	<u>2,755,845</u>	<u>1,863,242</u>	<u>4,619,087</u>	<u>1,268,681</u>
<i>Operating Income (Loss)</i>	<u>29,640</u>	<u>(105,240)</u>	<u>(75,600)</u>	<u>50,458</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest	35	6	41	0
Interest and Fiscal Charges	(79,222)	(14,371)	(93,593)	0
Other Non-Operating Revenues	0	1,664	1,664	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(79,187)</u>	<u>(12,701)</u>	<u>(91,888)</u>	<u>0</u>
<i>Income (Loss) before Capital Contributions</i>	<u>(49,547)</u>	<u>(117,941)</u>	<u>(167,488)</u>	<u>50,458</u>
Capital Contributions	15,729	0	15,729	0
<i>Change in Net Assets</i>	<u>(33,818)</u>	<u>(117,941)</u>	<u>(151,759)</u>	<u>50,458</u>
<i>Net Assets (Deficit) Beginning of Year</i>	<u>3,027,512</u>	<u>7,742,787</u>		<u>(50,458)</u>
<i>Net Assets End of Year</i>	<u>\$2,993,694</u>	<u>\$7,624,846</u>		<u>\$0</u>

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

10,159

Change in net assets of business-type activities

(\$141,600)

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Year Ended December 31, 2011*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$2,742,260	\$1,731,147	\$4,473,407	\$0
Cash Received from Interfund Services Provided	0	0	0	1,244,629
Cash Payments to Employees for Services	(672,184)	(983,855)	(1,656,039)	0
Cash Payments for Goods and Services	(1,792,795)	(646,214)	(2,439,009)	(267,290)
Cash Payments for Claims	0	0	0	(973,103)
Other Cash Payments	(41,241)	(12,243)	(53,484)	0
<i>Net Cash Provided by Operating Activities</i>	<u>236,040</u>	<u>88,835</u>	<u>324,875</u>	<u>4,236</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Grants Received	15,729	0	15,729	0
Interest Revenue	35	6	41	0
Non-Operating Revenues Received	0	1,664	1,664	0
Advances In	175,000	0	175,000	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>190,764</u>	<u>1,670</u>	<u>192,434</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from OWDA Loans	63,765	0	63,765	0
Payments for Capital Acquisitions	(79,494)	0	(79,494)	0
Principal Paid on OWDA Loans	(213,293)	(31,809)	(245,102)	0
Interest Paid on OWDA Loans	(86,372)	(15,269)	(101,641)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(315,394)</u>	<u>(47,078)</u>	<u>(362,472)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	111,410	43,427	154,837	4,236
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>191,375</u>	<u>382,188</u>	<u>573,563</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$302,785</u>	<u>\$425,615</u>	<u>\$728,400</u>	<u>\$4,236</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating Income (Loss)	<u>\$29,640</u>	<u>(\$105,240)</u>	<u>(\$75,600)</u>	<u>\$50,458</u>
Adjustments:				
Depreciation	37,737	161,032	198,769	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(55,606)	(29,812)	(85,418)	0
Special Assessments Receivable	12,381	2,957	15,338	0
Prepaid Items	(1,027)	74	(953)	0
Interfund Receivable	0	0	0	(74,510)
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	77,161	17,476	94,637	0
Accrued Wages	448	2,055	2,503	0
Claims Payable	0	0	0	28,288
Compensated Absences Payable	(23,710)	8,275	(15,435)	0
Intergovernmental Payable	133,303	11,234	144,537	0
Interfund Payable	25,713	20,784	46,497	0
<i>Total Adjustments</i>	<u>206,400</u>	<u>194,075</u>	<u>400,475</u>	<u>(46,222)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>\$236,040</u>	<u>\$88,835</u>	<u>\$324,875</u>	<u>\$4,236</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*December 31, 2011*

	Private Purpose Trust	
	Memorial	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$3,150	\$0
Cash and Cash Equivalents in Segregated Accounts	0	33,653
<i>Total Assets</i>	3,150	\$33,653
<b>Liabilities</b>		
Undistributed Monies	0	\$33,653
<b>Net Assets</b>		
Held in Trust for Endowment	\$3,150	

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2011*

	Private Purpose Trust
	Memorial
<b>Additions</b>	
Interest	\$3
<b>Deductions</b>	
Materials and Supplies	312
<i>Change in Net Assets</i>	(309)
<i>Net Assets Beginning of Year</i>	3,459
<i>Net Assets End of Year</i>	\$3,150

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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**Note 1 – Description of the City and Reporting Entity**

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

On August 8, 2001, the Auditor of State’s office declared the City of Girard to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations within the City and two representatives from the State of Ohio. This Commission approved a financial recovery plan which has been adopted by the City. Once the plan has been adopted, the City’s discretion is limited in that all financial activity of the City must be in accordance with the plan. The recovery plan was last revised on October 10, 2011. State law requires that the plan be updated annually. The recovery plan includes savings by being a drug free workplace, actively pursuing reductions in workers’ compensation and researching alternative health insurance providers to determine if the City can get better insurance rates with estimated savings to the general fund of between \$142,000 and \$276,000. The Board and the Commission have not yet taken any action to revise the recovery plan for year 2012 and beyond since there is a distinct possibility that the City will be released from Fiscal Emergency in 2012. See Note 20 and 21 for more information on the City’s fiscal emergency status.

***Reporting Entity***

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

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

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

The City participates in the Eastgate Development and Transportation Agency and the Emergency Management Agency, both jointly governed organizations. These organizations are presented in Note 19 to the basic financial statements.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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**Note 2 – Summary of Significant Accounting Policies**

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

***Basis of Presentation***

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

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

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

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

***Fund Accounting***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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

**General Fund** - The general fund accounts for 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.

**Fire Levy Fund** - The Fire Levy fund accounts for and reports property taxes restricted to maintain fire equipment and for salaries of fire department personnel.

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

**Bond Retirement Fund** - The bond retirement debt service fund accounts for and reports monies restricted for debt principal and interest payments.

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 assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for 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 assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust which accounts for the perpetual care and

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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maintenance of specific burial plots in the City's cemetery through an endowment. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for and reports construction deposits.

***Measurement Focus***

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

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

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

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

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

***Basis of Accounting***

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the year in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

***Cash and Cash Equivalents***

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

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

During 2011, investments were limited to PNC money market mutual funds reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2011 amount to \$1,013, of which \$666 is assigned from other City funds.

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2011, 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.

***Inventory***

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

***Restricted Assets***

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

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$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 or not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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For 2011, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

***Interfund Balances***

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

***Compensated Absences***

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

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

***Accrued Liabilities and Long-Term Obligations***

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

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

***Fund Balance***

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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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. There were no contractual requirements in 2011.

**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 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 finance director 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 Assets**

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

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

**City of Girard, Ohio**  
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*For The Year Ended December 31, 2011*

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***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 – Change in Accounting Principles and Restatement of Prior Year Balances**

***Changes in Accounting Principles***

For 2011, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the

**City of Girard, Ohio**  
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resources reported in governmental funds. The implementation of this statement had an effect on fund balances of the major funds and all other governmental funds.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the City's financial statements.

***Restatement of Prior Year's Fund Balance***

In 2011, it was determined that current liabilities of \$70,000 relating to 4<sup>th</sup> quarter police and fire pension should have been reported as a liability in the general fund rather than in other governmental funds. This restatement along with the implementation of GASB Statement No. 54 had the following effect on fund balances of the major funds and all other governmental funds as previously reported.

	General	Fire Levy	Garbage	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Fund Balance at						
December 31, 2010	\$84,389	\$1,890	\$13,302	(\$4,221,968)	\$640,784	(\$3,481,603)
4th Quarter Police and Fire Pension	(70,000)	0	0	0	70,000	0
GASB 54 Change in Fund Structure	111,798	0	0	0	(111,798)	0
Adjusted Fund Balance at December 31, 2010	<u>\$126,187</u>	<u>\$1,890</u>	<u>\$13,302</u>	<u>(\$4,221,968)</u>	<u>\$598,986</u>	<u>(\$3,481,603)</u>

***Restatement of Prior Year's Net Assets***

In 2011, it was determined that intergovernmental revenues were overstated by \$345,500. This resulted in a change in governmental net assets at December 31, 2010 from \$28,141,715 to \$27,796,215.

**Note 4 – Accountability and Compliance**

***Accountability***

Fund balances at December 31, 2011, include the following individual fund deficits:

	<u>Deficit Fund Balances</u>
<i>Major Funds:</i>	
Garbage	\$3,444
Bond Retirement	339,566
<i>Special Revenue Funds:</i>	
Elderly Bus Fare	264

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

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

**Note 5 - Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Budgetary revenues and expenditures of the health and recreation funds are classified to the general fund for GAAP reporting.

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

Net Change in Fund Balances			
	General	Fire Levy	Garbage
GAAP Basis	\$493,767	\$2,044	(\$16,746)
Net Adjustment for Revenue Accruals	(63,262)	0	0
Excess of revenues (under) expenditures:			
Health	63,417	0	0
Recreation	381	0	0
Net Adjustment for Expenditures Accruals	37,588	0	41,423
Advances Out	(175,000)	0	0
Encumbrances	(6,418)	0	0
Budget Basis	\$350,473	\$2,044	\$24,677

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**Note 6 - Fund Balances**

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

Fund Balances	General	Fire Levy	Garbage	Bond Retirement	Nonmajor Governmental Funds	Total
<b><i>Nonspendable</i></b>						
Prepays	\$10,500	\$0	\$0	\$0	\$1,000	\$11,500
Unclaimed Monies	25,866	0	0	0	0	25,866
<b><i>Total Nonspendable</i></b>	<b>36,366</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>	<b>37,366</b>
<b><i>Restricted for</i></b>						
General Government	0	0	0	0	62,411	62,411
Public Safety	7,739	0	0	0	22,338	30,077
Police Pension	0	0	0	0	5,440	5,440
Fire Pension	0	3,934	0	0	2,337	6,271
Senior Activities	0	0	0	0	2,045	2,045
Street Maintenance	0	0	0	0	255,588	255,588
Landfill	5	0	0	0	0	5
Public Health and Welfare	0	0	0	0	104,998	104,998
Community Development	0	0	0	0	229,990	229,990
Capital Improvements	0	0	0	0	91,800	91,800
<b><i>Total Restricted</i></b>	<b>7,744</b>	<b>3,934</b>	<b>0</b>	<b>0</b>	<b>776,947</b>	<b>788,625</b>
<b><i>Assigned to</i></b>						
Public Health and Welfare	54,087	0	0	0	0	54,087
General Government	10,962	0	0	0	0	10,962
<b><i>Total Assigned</i></b>	<b>65,049</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,049</b>
<b><i>Unassigned (Deficit)</i></b>	<b>510,795</b>	<b>0</b>	<b>(3,444)</b>	<b>(339,566)</b>	<b>(264)</b>	<b>167,521</b>
<b><i>Total Fund Balances (Deficit)</i></b>	<b>\$619,954</b>	<b>\$3,934</b>	<b>(\$3,444)</b>	<b>(\$339,566)</b>	<b>\$777,683</b>	<b>\$1,058,561</b>

**Note 7 - Deposits and Investments**

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

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

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

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

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

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

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

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

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

**Deposits**

***Custodial Credit Risk*** Custodial credit risk for deposits is the risk that, in the event of failure of the counterparty, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,532,104 of the City's bank balance of \$2,121,511 was uninsured and

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uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

### **Investments**

Investments are reported at fair value. As of December 31, 2011, the City's only investment was a money market account with a fair value of \$127,259.

**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 8 - Receivables**

Receivables at December 31, 2011, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

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

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

### **Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

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2011 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2011, was \$13.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$102,431,040
Other Real Estate	20,662,650
Tangible Personal Property	
Public Utility	3,623,830
Total Assessed Values	\$126,717,520

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, 2011, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while on the modified accrual basis the revenue has been deferred.

***Income Taxes***

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

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures, are credited to the following funds: 91 percent went to the general fund (January through July) and 82 percent (August through December), 9 percent went to the general obligation bond retirement fund (January through July) and 18 percent (August through December).

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**Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
Gasoline and Municipal Cents per Gallon	\$195,857
Local Government	111,125
Homestead and Rollback	108,293
Permissive Tax	72,259
Community Block Grant	52,000
Motor Vehicle License Tax	46,705
Commercial Activity Tax	628
Total	\$586,867

**Note 9 - Capital Assets**

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Deductions	Balance 12/31/2011
<b>Governmental Activities</b>				
<b>Capital Assets not being Depreciated:</b>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<b>Capital Assets being Depreciated:</b>				
Buildings	9,075,756	0	0	9,075,756
Building Improvements	144,983	0	0	144,983
Furniture and Equipment	1,600,368	64,545	(23,540)	1,641,373
Vehicles	940,155	343,354	(89,657)	1,193,852
Infrastructure:				
Streets	52,555,453	0	0	52,555,453
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
Total Capital Assets being Depreciated	\$79,249,115	\$407,899	(\$113,197)	\$79,543,817
<b>Less Accumulated Depreciation:</b>				
Buildings	(2,113,353)	(81,584)	0	(2,194,937)
Building Improvements	(82,910)	(5,301)	0	(88,211)
Furniture and Equipment	(1,430,627)	(49,270)	21,407	(1,458,490)
Vehicles	(734,493)	(41,552)	89,657	(686,388)
Infrastructure:				
Streets	(35,690,708)	(1,051,109)	0	(36,741,817)
Sidewalks	(8,767,757)	(257,875)	0	(9,025,632)
Curbs	(1,386,275)	(40,773)	0	(1,427,048)
Total Accumulated Depreciation	(50,206,123)	(1,527,464) *	111,064	(51,622,523)
Total Capital Assets being Depreciated, Net	29,042,992	(1,119,565)	(2,133)	27,921,294
Governmental Activities Capital Assets, Net	\$30,116,632	(\$1,119,565)	(\$2,133)	\$28,994,934

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\*Depreciation expense was charged to governmental activities as follows:

General Government	\$79,380
Security of Persons and Property	38,117
Public Health Services	5,204
Transportation	1,090,059
Community Development	300,506
Basic Utility Services	7,926
Leisure Time Activities	<u>6,272</u>
Total Depreciation Expense	<u><u>\$1,527,464</u></u>

	Balance 12/31/2010	Additions	Deductions	Balance 12/31/2011
<b>Business Type Activities:</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$4,187,169	\$0	\$0	\$4,187,169
<i>Capital Assets being Depreciated:</i>				
Buildings	7,028,774	0	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	477,022	0	0	477,022
Vehicles	295,686	0	0	295,686
Infrastructure	929,653	79,494	0	1,009,147
Total Capital Assets being Depreciated	12,271,135	79,494	0	12,350,629
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,026,604)	(63,898)	0	(2,090,502)
Building Improvements	(2,315,443)	(58,790)	0	(2,374,233)
Furniture and Equipment	(188,828)	(37,487)	0	(226,315)
Vehicles	(214,172)	(18,411)	0	(232,583)
Infrastructure	(632,164)	(20,183)	0	(652,347)
<i>Total Accumulated Depreciation</i>	(5,377,211)	(198,769)	0	(5,575,980)
Total Capital Assets being Depreciated, Net	6,893,924	(119,275)	0	6,774,649
Business Type Activities Capital Assets, Net	\$11,081,093	(\$119,275)	\$0	\$10,961,818

**City of Girard, Ohio**  
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**Note 10 - 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
<b>Business-Type Activities:</b>			
<i>Ohio Water Development Authority Loans</i>			
OWDA Water and Sewer Loan	5.65%	\$687,526	2017
Water Distribution	6.36	441,086	2017
Lakes Project	6.87	2,513,646	2015
Liberty Water	6.36	47,158	2017
Liberty Street Waterline Replacement	2.00	63,765	2016
<b>Governmental Activities:</b>			
Ohio Public Works Commission Loan	0.00	18,571	2019
Police and Fire Pension	4.25	377,328	2035
Notes Payable	3.00	3,470,045	2012

A schedule of changes in bonds and other long-term obligations of the City during 2011 follows:

	Amount Outstanding 12/31/2010	Additions	Deletions	Amount Outstanding 12/31/2011	Amounts Due In One Year
<b>Business-Type Activities:</b>					
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	\$368,768	\$0	(\$48,415)	\$320,353	\$51,189
Water Distribution	215,269	0	(25,366)	189,903	26,979
Lakes Project	966,424	0	(168,485)	797,939	180,061
Liberty Water	21,953	0	(2,836)	19,117	3,017
Liberty Street Waterline Replacement	0	63,765	0	63,765	12,251
Total Ohio Water Development Authority Loans	1,572,414	63,765	(245,102)	1,391,077	273,497
Compensated Absences	179,281	3,081	(18,516)	163,846	24,888
<i>Total Business-Type Activities Obligations</i>	<u>\$1,751,695</u>	<u>\$66,846</u>	<u>(\$263,618)</u>	<u>\$1,554,923</u>	<u>\$298,385</u>
<b>Governmental Activities Obligations:</b>					
Notes Payable	\$0	\$3,470,045	\$0	\$3,470,045	\$0
Ohio Public Works Commission Loan	77,354	0	(8,595)	68,759	8,595
Capital Lease	0	323,229	(35,196)	288,033	59,763
Compensated Absences	536,473	101,909	(66,672)	571,710	83,184
Police and Fire Pension	259,591	0	(6,204)	253,387	6,474
<i>Total Governmental Activities Obligations</i>	<u>\$873,418</u>	<u>\$3,895,183</u>	<u>(\$116,667)</u>	<u>\$4,651,934</u>	<u>\$158,016</u>

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OWDA loans will be paid from water and sewer enterprise fund user service charges. The OPWC loan payable will be paid with monies from the street construction maintenance and repair special revenue fund. Compensated absences will be paid from the following funds: the general fund, the street construction maintenance and repair special revenue funds 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 statewide pension system for police and firemen in 1967.

The note liability is reflected in the funds which received the proceeds. At December 31, 2011, the amount of long-term notes outstanding was \$3,470,045. The notes will be paid from the debt service fund.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the water fund. The debt is payable solely from net revenues and are payable through 2017. Annual principal and interest payments on the debt issues required more than 100 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$1,393,824. Principal and interest paid for the current year and total net revenues were \$299,665 and \$67,377 respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the sewer fund. The debt is payable solely from net revenues and are payable through 2017. Annual principal and interest payments on the debt issues required less than 100 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$247,801. Principal and interest paid for the current year and total net revenues were \$47,078 and \$55,792 respectively.

The City's overall legal debt margin was \$9,362,426 at December 31, 2011. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011, are as follows:

Business-Type Activities:

	<u>OWDA Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$273,497	\$86,712
2013	290,953	69,255
2014	309,554	50,654
2015	329,394	30,813
2016	115,621	9,709
2017	72,058	3,405
Total	<u>\$1,391,077</u>	<u>\$250,548</u>

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Governmental Activities:

	Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal
	2012	\$6,474	\$10,699
2013	6,759	10,414	8,595
2014	7,057	10,116	8,595
2015	7,370	9,803	8,595
2016	7,696	9,477	8,595
2017-2021	43,823	42,042	25,784
2022-2026	53,545	32,320	0
2027-2031	63,445	22,420	0
2032-2035	57,218	11,472	0
Total	\$253,387	\$158,763	\$68,759

**Note 11 - 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 12 - Contingencies**

*Litigation*

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

*Grants*

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2011.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

**Note 13 – Capital Lease**

In 2011, the City entered into a capital lease for three 2012 freightliners with Myers snow and ice lifts classified as vehicles. The lease meets the criteria for a capital lease as defined by the Statement of Financial Accounting Standards No. 13 “Accounting for Lease” and have been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book values as of December 31, 2011 are as follows:

	Amounts
Vehicles	\$323,229
Less: Accumulated Depreciation	(32,323)
Current Book Value	\$290,906

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2011.

	Amounts
2012	\$70,392
2013	70,392
2014	70,392
2015	70,392
2016	35,196
Total Minimum Lease Payments	316,764
Less: Amount representing interest	(28,731)
Present Value of Minimum Lease Payments	\$288,033

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

**Note 14 – Note Debt**

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

	Balance 12/31/10	Additions	Reductions	Balance 12/31/11
Justice Center	\$2,657,808	\$239,770	\$2,657,808	\$239,770
Street Widening Project	1,646,807	164,340	1,646,807	164,340
Total	\$4,304,615	\$404,110	\$4,304,615	\$404,110

On July 22, 2011, the City issued \$404,110 in various purpose notes for the justice center and street widening project. The interest rates on the notes are 3 percent and they mature on July 20, 2012. The City retired the previous notes in the amount of \$4,304,615. The notes were retired through the issuance of \$3,470,045 long term notes, \$404,110 short term notes, and principal payment in the amount of \$430,460.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

**Note 15 - 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 2011, the City contracted with Love Insurance, Incorporated for various types of insurance as follows:

Type	Coverage
Commercial Liability	\$1,000,000/\$3,000,000
Public Officials	1,000,000/3,000,000
Law Enforcement	1,000,000/3,000,000
Automobile	1,000,000
Automobile Physical Damage	Actual Cash Value
Real and Personal Property	21,863,400
Inland Marine	1,212,484
Business Electronic Equipment	133,369
Commercial Crime	10,000
Bonds - Employees and Officials	10,000

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

***Employee Insurance Benefits***

The City has elected to provide vision, dental, prescription drug, and hospital/medical benefits to its employees through a self insured program. The maintenance of these benefits is accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$45,000 per individual and \$1,400,000 for the City as a whole. Incurred but not reported claims of \$78,746 have been accrued as a liability based on a review of January 2012 billings provided by the City Auditor's Office.

The claims liability of \$78,746 reported in the internal service fund at December 31, 2011 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 2010 and 2011 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2010	\$112,888	\$1,095,434	\$1,157,864	\$50,458
2011	50,458	1,001,391	973,103	78,746

***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.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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**Note 16 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010 and 2009 were \$224,395, \$204,792 and \$186,942, respectively. For 2011, 89.56 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. There were no contributions to the member-directed plan for 2011.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$132,619 and \$149,916 for the year ended December 31, 2011, \$114,642 and \$144,186 for the year ended December 31, 2010, and \$112,667 and \$134,041 for the year ended December 31, 2009, respectively. For 2011, 69.69 percent for police and 70.27 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2011, the unfunded liability of the City was \$253,387 payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

## **Note 17 – Postemployment Benefits**

### ***Ohio Public Employees Retirement System***

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

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14 percent of covered payroll, 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.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010 and 2009 were \$89,758, \$116,750 and \$135,174, respectively. For 2011, 89.56 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

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

***Ohio Police and Fire Pension Fund***

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$70,210 and \$58,663 for the year ended December 31, 2011, \$60,693 and \$56,421 for the year ended December 31, 2010, and \$59,647 and \$52,451 for the year ended December 31, 2009. For 2011, 69.69 percent has been contributed for police and 70.27 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

**Note 18 - Interfund Balances**

Interfund balances at December 31, 2011, consisted of (1) a \$175,000 interfund receivable/payable between the general fund and the water fund which was made to provide funding until the receipt of water charges and (2) a \$74,510 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.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

Interfund Payable	Interfund Receivable		
	General	Internal Service	Total
General	\$0	\$20,459	\$20,459
Street Construction, Maintenance & Repair	0	7,545	7,545
Cemetery	0	9	9
<i>Total Governmental Funds</i>	<u>0</u>	<u>28,013</u>	<u>28,013</u>
Water	175,000	25,713	200,713
Sewer	0	20,784	20,784
<i>Total Enterprise Funds</i>	<u>175,000</u>	<u>46,497</u>	<u>221,497</u>
<i>Totals</i>	<u>\$175,000</u>	<u>\$74,510</u>	<u>\$249,510</u>

**Note 19 - Jointly Governed Organizations**

***Eastgate Development and Transportation Agency***

The Eastgate Development and Transportation Agency (EDATA) is committed to fostering cooperative regional efforts in the planning, programming, and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the members. In 2011, the City contributed \$3,816 to the Eastgate Development and Transportation Agency. For more information contact John R. Getchey, executive director, at 100 Federal Plaza East, Youngstown, Ohio 44503.

***Emergency Management Agency***

The Emergency Management Agency is a jointly governed organization among the thirty-four subdivisions located within Trumbull County. The eight members of the advisory board are appointed by the thirty-four member subdivisions. The degree of control exercised by any participating government is limited to its representation on the Board. The Agency adopts its own budget, authorizes expenditures and hires and fires its own staff. In 2011, the City contributed \$4,313 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

**Note 20 – Fiscal Emergency**

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

In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The City adopted its initial financial recovery plan on February 25, 2002. This plan was subsequently updated on October 10, 2011.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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

During the past 5 years and continuing into 2011, the City has taken steps to regain financial stability. As of December 31, 2011, all fund deficits that placed the City into fiscal emergency have been eliminated. In addition, the City was able to make all required debt payments during 2011. The City is negotiating contracts for 5 to 7 additional gas well drillings within the City limits. Based on prior drillings, this could generate an additional \$50,000 annually for 2012 and beyond. The City has deposited interest earned from the Lakes/Dam fund into the general fund and any inheritance tax revenue received will be used to reduce the deficit fund amounts. Accumulated interest for 2005 was \$135,000 and \$5,000 each year thereafter. The City passed a fire levy during 2009 and plans to renew the levy in the future. Due to the new construction at V&M Steel the City is anticipating receiving additional income tax receipts of \$491,000 in 2011 and \$1,200,000 in 2012. After 2012 the City is expecting to receive \$250,000 in repetitive income tax revenue due to more employees hired at V&M Steel. The City is anticipating additional income tax revenue in the amount of \$50,000 each successive year due to additional businesses coming to the area as a result of V&M Steel's large addition.

**Note 21 – 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>Major Funds:</i>	
General Fund	\$6,418
Water Fund	900
Sewer Fund	3,309
Other Governmental Funds	4,475
Total	\$15,102

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2011*

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**Note 22 – Subsequent Events**

On July 20, 2012, the City issued \$3,470,045 in various purpose notes for the justice center and street widening project. The interest rates on the notes are 3 percent and they mature on July 19, 2013. The City retired the previous notes in the amount of \$404,110.

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission of the City of Girard, the Auditor of State performed an analysis of the City of Girard to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the City of Girard no longer meets the fiscal emergency conditions set forth in Section 118.03 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the City of Girard and its role in the operation of the City of Girard is terminated as of June 7, 2012.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council  
City of Girard, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the City of Girard, Ohio's basic financial statements and have issued our report thereon dated July 24, 2013, wherein we noted that the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which restated the December 31, 2010 fund balances of the Governmental Funds due to a change in fund structure coupled with a reclassification of a pension liability between governmental funds and restated net assets of Governmental Activities due to an overstatement of intergovernmental receivables. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the City of Girard, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Girard, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Girard, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Girard, Ohio's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as **Finding 2011-01** and **Finding 2011-02** in the accompanying Schedule of Findings and Responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as **Finding 2011-03**, **Finding 2011-04**, and **Finding 2011-05** to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Girard, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Girard, Ohio, in a separate letter dated July 24, 2013.

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

This report is intended solely for the information and use of management, City Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

July 24, 2013

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011**

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**Finding Number 2011-01 - Material Weakness - Water and Sewer Billing**

Condition/Criteria

During the audit process, we noted that the City had various weaknesses in its utility billing process. Included in these weaknesses are the following:

1. The City estimates its billing amounts to City residents and does not use actual amounts.
2. Trumbull County is not being billed on a regular basis.
3. The City's utility billing system report was not reconciled to the revenue report.
4. The City does not have a formal policy to address collection of delinquent utility billings or for the writing off of uncollectible accounts.

Cause/Effect

These weaknesses can result in the following:

1. Under or over billing to residents, thereby resulting in the City not collecting the proper revenues.
2. Untimely billing and collection of revenues owed to the City.
3. The City not properly tracking its revenues.
4. The City is not collecting on delinquent accounts or removal of uncollectible amounts.

Recommendation

We recommend that the City bill and charge actual amounts to City residents through implementation of a water meter system throughout the City. We also recommend that the City bill Trumbull County on a monthly basis, which will provide the City with better assurance of collecting utility revenues on a timely basis. We also recommend that the City reconcile its reports on a consistent basis in order to ensure proper tracking of revenues and expenses. We also recommend that the City adopt a formal policy governing delinquent accounts and for writing off uncollectible accounts.

City's Response

The City is currently replacing all of its current waters meters with radio frequency technology to allow for accurate and timely readings. Trumbull County will be billed on a monthly basis. The City will move to write off uncollectible accounts on an annual basis.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011  
(CONTINUED)**

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**Finding Number 2011-02 - Material Weakness - Bank Reconciliations**

Condition/Criteria

Timely preparation of complete and accurate bank reconciliations are necessary in order to maintain adequate control over both cash receipts and disbursements. During our testing of the City's bank reconciliations for 2011, we noted that the City is carrying a large volume of reconciling items from month to month. These items were not posted into the accounting system. As a result, the book balance is understated in the system. If reconciling items are not cleared on a regular basis, they become harder to track and identify, and can be incorrectly categorized or missed entirely, which directly affects the cash balance on the City's books.

When testing the Payroll Outstanding Check List for 2011, we noted that there were a significant number of outstanding items, as well as voided checks, on the list. These items should be removed from the Outstanding Check List when they become a year old, and any funds payable should be moved to the Unclaimed Funds account. This will reduce the chance of possible errors on the bank reconciliation, as well as reduce the number of items that have to be tracked by the Payroll Department.

Cause/Effect

Multiple reconciling items in the bank reconciliations can obscure significant but offsetting items (such as bank errors or improperly recorded transactions) that would be cause for an investigation if the items were apparent.

Recommendation

We recommend that the City post any reconciling items on a monthly basis so that the books more accurately reflect the bank balance and are up to date. We also recommend that bank reconciliations be reviewed for accuracy and completeness on a timely basis by the City Auditor. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary as a result be recorded. If necessary, the accounting clerk who prepares the reconciliations should be given additional training and instruction on how to prepare them accurately and completely.

We noted that the City's Finance Department has instituted an action to determine the disposition of the long outstanding checks. We recommend that the lists of outstanding checks be reviewed regularly and that all checks not returned by the banks within a reasonable period of time be investigated. We also recommend that after they are a year old, any outstanding checks be removed from the Outstanding Check List and moved to the Unclaimed Funds account and any voided items be cleared from the Outstanding Check List. This will assist the City in reducing the number of outstanding items and reduce the chance of reconciling errors.

City's Response

The City will follow the recommendation and with the installation of the new financial software for reporting, will adjust and book all reconciliations on a monthly basis.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011  
(CONTINUED)**

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**Finding Number 2011-03 - Significant Deficiency - Financial Reporting**

Condition/Criteria

Financial reporting is essential to ensure that the information provided to the reader of the City's financial statements is complete and accurate. During our review, we noted the following errors in the City's financial statements:

1. Grants receivable were being calculated based on a third party calculation that used estimated revenue to be received by the City for the year, and not based on allowable expenditures disbursed in 2011 but not reimbursed until the subsequent period or directed by the grant agreement.
2. Income tax receivable and related revenue in the amount of \$168,918 was recorded to the wrong fund.
3. The City did not record a vehicle purchased in 2011 for \$20,125.
4. Perform analytical procedures to determine the reasonableness of financial data and reconcile detail expense reports with the cash position report. Currently, there are unidentified variances between the two reports.

Cause/Effect

The City's financial statements are not properly stated.

Recommendation

We recommend that the City implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect, and correct potential misstatements in the financial statements. As a result, audit adjustments have been recorded to correct the City's financial activity for 2011.

City's Response

1. The City will work with the third party administrator to correct accounts receivable for grants.
2. The City will provide necessary information to properly record income tax.
3. The City will record all assets as determined by this audit and better define assets going forward.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011  
(CONTINUED)**

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**Finding Number 2011-04 - Significant Deficiency - Health Insurance SOC-1 Report**

Condition/Criteria

During our review, we noted that the City contracts with Health Plan Administrators (HPA), which acts as an outside processing services 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.

Cause/Effect

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.

Recommendation

We recommend that the City request an annual report from HPA under Statement of Auditing Standards on Reporting on Controls Placed in Operation and Effectiveness of a Service Organization Control covering the City's claims processing system. In the event HPA does not agree to have the reporting on 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.

City's Response

The City will monitor its third party administrator to ensure that a SOC-1 report is provided going forward.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011  
(CONTINUED)**

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**Finding Number 2011-05 - Significant Deficiency - Injury Pay**

Condition/Criteria

During our audit, we noted that the City paid an employee who was injured on the job instead of Workers' Compensation. Per discussion with the City Auditor, the City saved money by having the City pay the employee while injured instead of through Workers' Compensation. The City does not have a written policy in place regarding these circumstances. We also noted that an independent calculation showing the cost savings was not available.

Cause/Effect

By not having a policy in place and an independent calculation performed, the City does not have assurance of cost savings.

Recommendation

We recommend that the City have an independent calculation performed to determine whether the City paying the injured employee or assigning the matter to Workers' Compensation will have the best cost saving to the City. We also recommend that the City establish a formal policy as to how the City should proceed when an employee is injured on the job.

City's Response

The City's Safety-Service Director will contact our independent BWC consultant and have this calculation performed. As for a formal policy, it will be included in the City's union contracts.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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The prior issued audit report, as of December 31, 2010, included material noncompliance citations.

Finding Number	Finding Summary	Fully Corrected ?
2010-01	Financial Recovery Plan	Partially Corrected. Repeated as Findings 2011-02 and 2011-03.
2010-02	Certificate of Expenditures	Partially Corrected. Reissued as a management comment.
2010-03	Water and Sewer Billings and Collections	No. Repeated as Finding 2011-01.
2010-04	Bank Reconciliations	No. Repeated as Finding 2011-02.
2010-05	Non-Compliance Finding - Community Development Block Grant/States Program	Partially Corrected. Reissued as a management comment.

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



# 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  
OCTOBER 15, 2013**