



Dave Yost • Auditor of State



**CITY OF GIRARD  
TRUMBULL COUNTY  
DECEMBER 31, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Honorable Mayor and City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Summary of Opinions**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Garbage Fund	Unmodified
Fire Levy Fund	Unmodified
Street Construction, Maintenance & Repair Fund	Unmodified
Bond Retirement Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

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

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

***Qualified Opinions***

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Business-Type Activities, Water Fund, and Sewer Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Business-Type Activities, Water Fund, and Sewer Fund of the City of Girard, Trumbull County, Ohio, as of December 31, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, the General Fund, the Garbage Fund, the Fire Levy Fund, the Street Construction, Maintenance & Repair Fund, the Bond Retirement Fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio as of December 31, 2016, and the respective changes in its financial position thereof and the respective budgetary comparisons for the General Fund, Garbage Fund, Fire Levy Fund, and Street Construction, Maintenance & Repair Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, the City has suffered losses from operations and has General Fund, Fire Levy Fund, and Hospitalization Internal Service Fund fund balance deficits as of December 31, 2016 of (\$269,386), (\$8,541), and (\$186), respectively. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

***Other Matters***

*Required Supplementary Information*

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 5, 2018

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**City of Girard**  
*Management's Discussion and Analysis*  
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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, 2016. 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 2016 are as follows:

- The City complies with GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements resulted in a significant change to the financial statements presentation of the City.
- Capital asset additions included the acquisition of land and construction in progress relating to future renovations to the wastewater treatment plant as well as the purchase of vehicles for the street and sewer departments.
- Outstanding debt obligations increased during 2016 due to a new loan with the Ohio Water Development Authority for renovations to the City's wastewater treatment plant and the issuance of various purpose improvement bonds for the justice center and street widening project. This increase was partially offset by the continued annual pay-down of debt.

### **Using this Annual Financial Report**

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

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

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

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

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

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

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

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

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

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

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

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

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

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

**The City of Girard as a Whole**

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2016 as they compare to 2015.

(Table 1)  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and Other Assets	\$4,975,948	\$4,844,145	\$2,385,627	\$1,882,732	\$7,361,575	\$6,726,877
Capital Assets, Net	22,576,593	24,072,454	12,540,986	11,662,650	35,117,579	35,735,104
<i>Total Assets</i>	<u>27,552,541</u>	<u>28,916,599</u>	<u>14,926,613</u>	<u>13,545,382</u>	<u>42,479,154</u>	<u>42,461,981</u>
<b>Deferred Outflows of Resources</b>						
	2,567,005	808,779	618,922	199,098	3,185,927	1,007,877
<b>Liabilities</b>						
Current Liabilities	443,293	593,356	456,058	160,858	899,351	754,214
Long-term Liabilities						
Due within one Year	608,913	2,876,365	515,139	525,467	1,124,052	3,401,832
Due in More than one Year						
Net Pension Liability	8,095,802	5,747,362	1,608,695	1,131,814	9,704,497	6,879,176
Other Amounts	2,666,025	696,677	1,418,382	920,553	4,084,407	1,617,230
<i>Total Liabilities</i>	<u>11,814,033</u>	<u>9,913,760</u>	<u>3,998,274</u>	<u>2,738,692</u>	<u>15,812,307</u>	<u>12,652,452</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,094,714	1,093,216	0	0	1,094,714	1,093,216
Pension	62,943	23,342	50,492	19,884	113,435	43,226
<i>Total Deferred Inflows of Resources</i>	<u>1,157,657</u>	<u>1,116,558</u>	<u>50,492</u>	<u>19,884</u>	<u>1,208,149</u>	<u>1,136,442</u>

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(Table 1)  
*Net Position (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Net Position</b>						
Net Investment in						
Capital Assets	\$20,274,302	\$21,474,099	\$10,873,204	\$10,455,169	\$31,147,506	\$31,929,268
Restricted for:						
Capital Projects	587,988	443,728	0	0	587,988	443,728
Debt Service	188,896	192,699	0	0	188,896	192,699
State Highway Maintenance	95,460	72,315	0	0	95,460	72,315
Street Resurfacing and						
Traffic Lights	86,176	83,116	0	0	86,176	83,116
Garbage Collection	135,503	155,105	0	0	135,503	155,105
Other Purposes	1,320,442	1,304,494	0	0	1,320,442	1,304,494
Unrestricted (Deficit)	(5,540,911)	(5,030,496)	623,565	530,735	(4,917,346)	(4,499,761)
<i>Total Net Position</i>	<u>\$17,147,856</u>	<u>\$18,695,060</u>	<u>\$11,496,769</u>	<u>\$10,985,904</u>	<u>\$28,644,625</u>	<u>\$29,680,964</u>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2016 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

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

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

The significant increase in total deferred outflow of resources in 2016 was due to an increase in the difference between projected and actual earnings on investments related to the City's net pension liability for OPERS.

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

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal year 2016 and 2015.

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(Table 2)  
*Changes in Net Position*

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
<b>Program Revenues</b>						
Charges for Services and Assessments	\$2,070,205	\$1,329,969	\$5,831,729	\$5,893,893	\$7,901,934	\$7,223,862
Operating Grants and Contributions	1,137,708	1,101,053	0	0	1,137,708	1,101,053
Capital Grants and Contributions	65,709	115,421	0	60,000	65,709	175,421
<i>Total Program Revenues</i>	<u>3,273,622</u>	<u>2,546,443</u>	<u>5,831,729</u>	<u>5,953,893</u>	<u>9,105,351</u>	<u>8,500,336</u>
<b>General Revenues</b>						
Property Taxes	1,083,237	1,060,413	0	0	1,083,237	1,060,413
Municipal Income Taxes	3,626,965	3,699,369	0	0	3,626,965	3,699,369
Local Permissive Taxes	183,210	185,045	0	0	183,210	185,045
Grants and Entitlements not Restricted to Specific Programs	183,888	183,781	0	0	183,888	183,781
Interest	2,110	3,514	0	0	2,110	3,514
Other	235,141	127,390	6,205	110,798	241,346	238,188
<i>Total General Revenues</i>	<u>5,314,551</u>	<u>5,259,512</u>	<u>6,205</u>	<u>110,798</u>	<u>5,320,756</u>	<u>5,370,310</u>
<i>Total Revenues</i>	<u>8,588,173</u>	<u>7,805,955</u>	<u>5,837,934</u>	<u>6,064,691</u>	<u>14,426,107</u>	<u>13,870,646</u>
<b>Program Expenses</b>						
General Government	2,223,699	2,478,316	0	0	2,223,699	2,478,316
Security of Persons and Property	3,869,480	3,390,207	0	0	3,869,480	3,390,207
Public Health Services	133,020	328,096	0	0	133,020	328,096
Transportation	2,184,877	2,214,162	0	0	2,184,877	2,214,162
Community Development	825,238	755,727	0	0	825,238	755,727
Basic Utility Services	516,047	506,691	0	0	516,047	506,691
Leisure Time Activities	288,134	234,013	0	0	288,134	234,013
Interest and Fiscal Charges	94,882	100,160	0	0	94,882	100,160
Water	0	0	3,655,171	3,667,998	3,655,171	3,667,998
Sewer	0	0	1,671,898	2,099,681	1,671,898	2,099,681
<i>Total Program Expenses</i>	<u>10,135,377</u>	<u>10,007,372</u>	<u>5,327,069</u>	<u>5,767,679</u>	<u>15,462,446</u>	<u>15,775,051</u>
<i>Change in Net Position</i>	<u>(1,547,204)</u>	<u>(2,201,417)</u>	<u>510,865</u>	<u>297,012</u>	<u>(1,036,339)</u>	<u>(1,904,405)</u>
Net Position Beginning of the Year	18,695,060	20,896,477	10,985,904	10,688,892	29,680,964	31,585,369
Net Position End of the Year	<u>\$17,147,856</u>	<u>\$18,695,060</u>	<u>\$11,496,769</u>	<u>\$10,985,904</u>	<u>\$28,644,625</u>	<u>\$29,680,964</u>

**Governmental Activities**

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The revenue collected from the income tax, less funds necessary to pay the administrative fees for the Regional Income Tax Agency (RITA) and to cover refunds, are receipted into the following funds: 89.35 percent went to the general fund (January through December), 9.30 percent went to the general obligation bond retirement fund (January through December), 1.30 percent went to the garbage fund (January through December) and 0.05 percent went to the capital improvement fund (January through December).

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Charges for services increased in the governmental activities primarily as a result of an increase in fines and forfeitures. The increase in governmental activities operating grants and contributions resulted from the City receiving a greater amount of CHIP grant monies in 2016. Capital grants and contributions decreased due to less OPWC grant monies being received in 2016. Property taxes increased due to an increase in assessed valuation.

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

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

### **Business-Type Activities**

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated operating revenues of \$3,776,439 from water and \$2,055,290 from the sewer plant facility. Water and sewer expenses including interest and fiscal charges for 2016 amounted to \$3,655,171 and \$1,671,898, respectively. For 2016, 6,200 water customers and 4,100 sewer customers were serviced. Approximately 45 million gallons are billed and processed on a monthly basis.

### **The City's Funds**

Information about the City's governmental funds begins with the balance sheet. The funds are accounted for using the modified accrual method of accounting. The general fund balance increased mainly as a result of a drop in general government, security of persons and property and public health service expenditures due to the City closely monitoring and reducing costs where possible.

Despite a slight increase in revenues, the garbage special revenue fund balance decreased as expenditures continued to outpace revenues. The fire levy special revenue fund balance decreased during 2016 as a result of an increase in program expenditures. The street construction maintenance and repair special revenue fund balance increased as a result of higher other revenues relating to traffic camera monies as well as to a drop in transportation expenditures during the year. The bond retirement debt service fund balance decreased slightly as a result of a decrease in municipal income taxes.

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 \$5,831,729 and total operating expenses of \$5,293,882. 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 2016, actual revenues for the general fund were lower than final estimated revenues due mainly to lower income tax revenues and fines and forfeitures revenues received. The City's actual expenditures were higher than final appropriations due to higher than anticipated personal service costs across all departments.

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

**Capital Assets and Debt Administration**

***Capital Assets***

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

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

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

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$1,114,360	\$1,114,360	\$4,387,169	\$4,187,169	\$5,501,529	\$5,301,529
Construction in Progress	0	0	901,795	0	901,795	0
Buildings and Improvement	6,526,831	6,612,665	5,490,595	5,613,284	12,017,426	12,225,949
Furniture and Equipment	122,285	139,824	1,443,108	1,525,729	1,565,393	1,665,553
Vehicles	1,268,546	1,311,277	62,434	60,399	1,330,980	1,371,676
Infrastructure						
Streets	10,558,091	11,609,200	0	0	10,558,091	11,609,200
Sidewalks	2,578,752	2,836,627	0	0	2,578,752	2,836,627
Curbs	407,728	448,501	0	0	407,728	448,501
Water and Sewer Lines	0	0	255,885	276,069	255,885	276,069
<b>Total Capital Assets</b>	<b>\$22,576,593</b>	<b>\$24,072,454</b>	<b>\$12,540,986</b>	<b>\$11,662,650</b>	<b>\$35,117,579</b>	<b>\$35,735,104</b>

**Long-term Obligations**

As of December 31, 2016, long-term obligations include general obligation bonds, special obligation bonds, OPWC and OWDA loans, compensated absences, police and fire pensions and net pension liability.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Notes Payable	\$0	\$2,529,452	\$0	\$0	\$0	\$2,529,452
General Obligation Bonds	2,276,507	0	0	0	2,276,507	0
Special Obligation Bonds	0	0	691,560	1,019,803	691,560	1,019,803
OPWC Loan	25,784	34,379	0	0	25,784	34,379
OWDA Loans	0	0	976,222	187,678	976,222	187,678
Capital Leases	0	34,524	0	0	0	34,524
Compensated Absences	754,616	748,960	265,739	238,539	1,020,355	987,499
Police and Fire Pension	218,031	225,727	0	0	218,031	225,727
Net Pension Liability	8,095,802	5,747,362	1,608,695	1,131,814	9,704,497	6,879,176
<b>Total</b>	<b>\$11,370,740</b>	<b>\$9,320,404</b>	<b>\$3,542,216</b>	<b>\$2,577,834</b>	<b>\$14,912,956</b>	<b>\$11,898,238</b>



**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2016*  
*Unaudited*

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General obligation bonds payable are being paid from the bond retirement fund. The interest rate on the bonds is 3.73 percent.

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

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

The OWDA loans are being paid from sewer and water revenues. The finalized OWDA loans are payable through 2017.

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

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

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

The City of Girard's overall legal debt margin was \$8,598,204 on December 31, 2016. For more information about the City's long-term obligations, see Note 11 to the basic financial statements.

### **Current Financial Issues**

The Administration provided strong fiscal management, holding general operating expenses in check while maintaining City services at a high level in 2016 but a drop in income tax revenues will continue to present fiscal challenges for the City.

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

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

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

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## Basic Financial Statements

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**City of Girard, Ohio**  
*Statement of Net Position*  
*December 31, 2016*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,212,599	\$651,409	\$1,864,008
Accounts Receivable	147,907	1,559,692	1,707,599
Internal Balances	56,186	(56,186)	0
Intergovernmental Receivable	558,382	158,617	716,999
Property Taxes Receivable	1,387,403	0	1,387,403
Income Taxes Receivable	1,446,840	0	1,446,840
Local Permissive Taxes Receivable	76,216	0	76,216
Special Assessments Receivable	3,188	34,479	37,667
Loans Receivable	62,943	0	62,943
Prepaid Items	24,284	37,616	61,900
Nondepreciable Capital Assets	1,114,360	5,288,964	6,403,324
Depreciable Capital Assets, Net	21,462,233	7,252,022	28,714,255
<i>Total Assets</i>	<u>27,552,541</u>	<u>14,926,613</u>	<u>42,479,154</u>
<b>Deferred Outflows of Resources</b>			
Pension	2,567,005	618,922	3,185,927
<b>Liabilities</b>			
Accounts Payable	80,854	23,687	104,541
Contracts Payable	41,998	325,842	367,840
Accrued Wages	127,416	41,934	169,350
Intergovernmental Payable	102,118	54,793	156,911
Accrued Interest Payable	1,469	9,802	11,271
Claims Payable	89,438	0	89,438
Long-Term Liabilities:			
Due Within One Year	608,913	515,139	1,124,052
Due In More Than One Year:			
Net Pension Liability (See Note 13)	8,095,802	1,608,695	9,704,497
Other Amounts	2,666,025	1,418,382	4,084,407
<i>Total Liabilities</i>	<u>11,814,033</u>	<u>3,998,274</u>	<u>15,812,307</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,094,714	0	1,094,714
Pension	62,943	50,492	113,435
<i>Total Deferred Inflows of Resources</i>	<u>1,157,657</u>	<u>50,492</u>	<u>1,208,149</u>
<b>Net Position</b>			
Net Investment in Capital Assets	20,274,302	10,873,204	31,147,506
Restricted for:			
Capital Projects	587,988	0	587,988
Debt Service	188,896	0	188,896
State Highway Maintenance	95,460	0	95,460
Street Resurfacing and Traffic Lights	86,176	0	86,176
Garbage Collection	135,503	0	135,503
Other Purposes	1,320,442	0	1,320,442
Unrestricted (Deficit)	(5,540,911)	623,565	(4,917,346)
<i>Total Net Position</i>	<u>\$17,147,856</u>	<u>\$11,496,769</u>	<u>\$28,644,625</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2016

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$2,223,699	\$803,038	\$0	\$0
Security of Persons and Property	3,869,480	925,857	58,464	0
Public Health Services	133,020	93,795	3,255	0
Transportation	2,184,877	4,137	963,981	65,709
Community Development	825,238	218,707	16,108	0
Basic Utility Services	516,047	0	66,666	0
Leisure Time Activities	288,134	24,671	29,234	0
Interest and Fiscal Charges	94,882	0	0	0
<i>Total Governmental Activities</i>	<u>10,135,377</u>	<u>2,070,205</u>	<u>1,137,708</u>	<u>65,709</u>
<b>Business-Type Activities:</b>				
Water	3,655,171	3,776,439	0	0
Sewer	1,671,898	2,055,290	0	0
<i>Total Business-Type Activities</i>	<u>5,327,069</u>	<u>5,831,729</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$15,462,446</u>	<u>\$7,901,934</u>	<u>\$1,137,708</u>	<u>\$65,709</u>

**General Revenues**

Property Taxes Levied for:

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

Income Taxes Levied for:

- General Purposes
- Debt Service
- Capital Projects
- Garbage

Local Permissive Taxes

Grants and Entitlements not Restricted  
to Specific Programs

Interest

Other

*Total General Revenues*

Change in Net Position

*Net Position Beginning of Year*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,420,661)	\$0	(\$1,420,661)
(2,885,159)	0	(2,885,159)
(35,970)	0	(35,970)
(1,151,050)	0	(1,151,050)
(590,423)	0	(590,423)
(449,381)	0	(449,381)
(234,229)	0	(234,229)
(94,882)	0	(94,882)
(6,861,755)	0	(6,861,755)
0	121,268	121,268
0	383,392	383,392
0	504,660	504,660
(6,861,755)	504,660	(6,357,095)
207,567	0	207,567
369,688	0	369,688
296,217	0	296,217
27,362	0	27,362
18,242	0	18,242
164,161	0	164,161
3,245,523	0	3,245,523
326,904	0	326,904
1,605	0	1,605
52,933	0	52,933
183,210	0	183,210
183,888	0	183,888
2,110	0	2,110
235,141	6,205	241,346
5,314,551	6,205	5,320,756
(1,547,204)	510,865	(1,036,339)
18,695,060	10,985,904	29,680,964
\$17,147,856	\$11,496,769	\$28,644,625

**City of Girard, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2016*

	General	Garbage	Fire Levy	Street Construction Maintenance and Repair	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$0	\$18,493	\$0	\$231,015	\$55,046	\$908,045	\$1,212,599
Receivables:							
Property Taxes	266,035	474,208	343,734	0	0	303,426	1,387,403
Income Taxes	1,286,238	26,044	0	0	134,558	0	1,446,840
Local Permissive Taxes	0	0	0	0	0	76,216	76,216
Accounts	48,559	0	0	56,770	0	42,578	147,907
Intergovernmental	106,226	32,704	25,378	240,851	0	153,223	558,382
Special Assessments	3,188	0	0	0	0	0	3,188
Interfund Receivable	0	0	0	278,113	0	0	278,113
Prepaid Items	18,017	0	0	4,767	0	1,500	24,284
Loans Receivable	0	0	0	0	0	62,943	62,943
<b>Total Assets</b>	<b>\$1,728,263</b>	<b>\$551,449</b>	<b>\$369,112</b>	<b>\$811,516</b>	<b>\$189,604</b>	<b>\$1,547,931</b>	<b>\$5,197,875</b>
<b>Liabilities</b>							
Accounts Payable	\$66,862	\$0	\$0	\$11,575	\$0	\$2,417	\$80,854
Contracts Payable	130	41,778	0	90	0	0	41,998
Accrued Wages	112,700	0	0	10,542	0	4,174	127,416
Intergovernmental Payable	80,565	0	0	12,018	0	9,535	102,118
Interfund Payable	296,905	0	8,541	5,718	0	15	311,179
<b>Total Liabilities</b>	<b>557,162</b>	<b>41,778</b>	<b>8,541</b>	<b>39,943</b>	<b>0</b>	<b>16,141</b>	<b>663,565</b>
<b>Deferred Inflows of Resources</b>							
Property Taxes	209,912	374,168	271,219	0	0	239,415	1,094,714
Unavailable Revenue	1,193,521	154,345	97,893	201,450	111,603	164,209	1,923,021
<b>Total Deferred Inflows of Resources</b>	<b>1,403,433</b>	<b>528,513</b>	<b>369,112</b>	<b>201,450</b>	<b>111,603</b>	<b>403,624</b>	<b>3,017,735</b>
<b>Fund Balances</b>							
Nonspendable	51,819	0	0	4,767	0	1,500	58,086
Restricted	3,667	0	0	565,356	78,001	1,126,666	1,773,690
Unassigned (Deficit)	(287,818)	(18,842)	(8,541)	0	0	0	(315,201)
<b>Total Fund Balances (Deficit)</b>	<b>(232,332)</b>	<b>(18,842)</b>	<b>(8,541)</b>	<b>570,123</b>	<b>78,001</b>	<b>1,128,166</b>	<b>1,516,575</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$1,728,263</b>	<b>\$551,449</b>	<b>\$369,112</b>	<b>\$811,516</b>	<b>\$189,604</b>	<b>\$1,547,931</b>	<b>\$5,197,875</b>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2016*

<b>Total Governmental Fund Balances</b>	<b>\$1,516,575</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	22,576,593
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
Delinquent Property Taxes	292,689
Income Taxes	1,200,015
Local Permissive Taxes	61,850
Intergovernmental	365,279
Special Assessments	<u>3,188</u>
Total	1,923,021
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included as part of governmental activities in the statement of net position.	(186)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,469)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:	
Deferred Outflows - Pension	2,567,005
Deferred Inflows - Pension	(62,943)
Net Pension Liability	<u>(8,095,802)</u>
Total	(5,591,740)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds Payable	(2,276,507)
OPWC Loans Payable	(25,784)
Compensated Absences	(754,616)
Police and Fire Pension Loan	<u>(218,031)</u>
Total	<u>(3,274,938)</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$17,147,856</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, 2016*

	General	Garbage	Fire Levy	Street Construction Maintenance and Repair	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>							
Property Taxes	\$205,699	\$366,687	\$266,601	\$0	\$0	\$235,133	\$1,074,120
Municipal Income Taxes	3,270,844	47,213	0	0	328,912	1,605	3,648,574
Local Permissive Taxes	0	0	0	0	0	182,961	182,961
Special Assessments	3,525	0	0	0	0	0	3,525
Charges for Services	0	0	0	0	0	84,620	84,620
Fees, Licenses and Permits	201,465	0	0	0	0	0	201,465
Fines and Forfeitures	799,272	0	0	329,374	0	647,111	1,775,757
Intergovernmental	187,552	67,310	49,260	884,361	0	579,500	1,767,983
Interest	69	0	0	0	0	2,041	2,110
Rentals	5,883	0	0	0	0	0	5,883
Contributions and Donations	0	0	0	0	0	1,351	1,351
Other	156,615	0	0	65,967	7,000	5,559	235,141
<i>Total Revenues</i>	<u>4,830,924</u>	<u>481,210</u>	<u>315,861</u>	<u>1,279,702</u>	<u>335,912</u>	<u>1,739,881</u>	<u>8,983,490</u>
<b>Expenditures</b>							
Current:							
General Government	1,836,091	0	0	0	0	20,128	1,856,219
Security of Persons and Property	2,702,408	0	321,409	119,196	0	49,809	3,192,822
Public Health Services	43,588	0	0	0	0	90,804	134,392
Transportation	19,475	0	0	857,247	0	204,855	1,081,577
Community Development	0	0	0	0	0	526,590	526,590
Basic Utility Services	0	508,889	0	0	0	0	508,889
Leisure Time Activities	87,478	0	0	0	0	192,966	280,444
Capital Outlay	0	0	0	0	0	328,214	328,214
Debt Service:							
Principal Retirement	0	0	0	8,595	2,529,452	42,220	2,580,267
Interest and Fiscal Charges	0	0	0	0	84,803	10,148	94,951
<i>Total Expenditures</i>	<u>4,689,040</u>	<u>508,889</u>	<u>321,409</u>	<u>985,038</u>	<u>2,614,255</u>	<u>1,465,734</u>	<u>10,584,365</u>
<i>Excess of Revenues</i>							
<i>Over (Under) Expenditures</i>	141,884	(27,679)	(5,548)	294,664	(2,278,343)	274,147	(1,600,875)
<b>Other Financing Sources (Uses)</b>							
General Obligation Bonds Issued	0	0	0	0	2,276,507	0	2,276,507
<i>Net Change in Fund Balances</i>	141,884	(27,679)	(5,548)	294,664	(1,836)	274,147	675,632
<i>Fund Balances (Deficit)</i>							
<i>Beginning of Year</i>	(374,216)	8,837	(2,993)	275,459	79,837	854,019	840,943
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$232,332)</u>	<u>(\$18,842)</u>	<u>(\$8,541)</u>	<u>\$570,123</u>	<u>\$78,001</u>	<u>\$1,128,166</u>	<u>\$1,516,575</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, 2016*

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**Net Change in Fund Balances - Total Governmental Funds** \$675,632

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

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

Capital Asset Additions	83,600
Depreciation	<u>(1,579,461)</u>

Total (1,495,861)

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

Delinquent Property Taxes	9,117
Income Taxes	(21,609)
Local Permissive Taxes	249
Intergovernmental	(382,029)
Special Assessments	<u>(1,045)</u>

Total (395,317)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 536,315

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,166,130)

Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,580,267

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 69

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. (5,656)

Other financing sources, such as general obligation bonds issued, in the governmental funds increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities. (2,276,507)

The internal service fund used by management is not reported in the City-wide statement of activities. Governmental fund expenditures and related internal service fund revenue are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (16)

*Change in Net Position of Governmental Activities* (\$1,547,204)

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, 2016*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$210,860	\$210,860	\$205,699	(\$5,161)
Municipal Income Taxes	3,280,197	3,309,997	3,165,533	(144,464)
Fees, Licenses and Permits	196,219	196,219	191,811	(4,408)
Fines and Forfeitures	777,846	777,846	762,956	(14,890)
Intergovernmental	187,161	187,161	183,380	(3,781)
Interest	71	71	69	(2)
Rentals	5,860	5,860	5,729	(131)
Other	140,903	140,903	135,153	(5,750)
<i>Total Revenues</i>	4,799,117	4,828,917	4,650,330	(178,587)
<b>Expenditures</b>				
Current:				
General Government	1,860,647	1,864,403	1,866,770	(2,367)
Security of Persons and Property	2,747,493	2,744,024	2,798,733	(54,709)
Public Health Services	56,071	23,611	51,913	(28,302)
Transportation	17,050	17,090	19,238	(2,148)
<i>Total Expenditures</i>	4,681,261	4,649,128	4,736,654	(87,526)
<i>Net Change in Fund Balance</i>	117,856	179,789	(86,324)	(266,113)
<i>Fund Balance (Deficit) Beginning of Year</i>	(327,897)	(327,897)	(327,897)	0
Prior Year Encumbrances Appropriated	83,596	83,596	83,596	0
<i>Fund Balance (Deficit) End of Year</i>	(\$126,445)	(\$64,512)	(\$330,625)	(\$266,113)

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, 2016*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$374,012	\$369,206	\$366,687	(\$2,519)
Municipal Income Taxes	41,600	45,600	45,765	165
Intergovernmental	68,600	68,600	67,310	(1,290)
<i>Total Revenues</i>	484,212	483,406	479,762	(3,644)
<b>Expenditures</b>				
Current:				
Basic Utility Services	541,897	572,093	508,120	63,973
<i>Net Change in Fund Balance</i>	(57,685)	(88,687)	(28,358)	60,329
<i>Fund Balance Beginning of Year</i>	4,954	4,954	4,954	0
Prior Year Encumbrances Appropriated	41,897	41,897	41,897	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$10,834)</u>	<u>(\$41,836)</u>	<u>\$18,493</u>	<u>\$60,329</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2016*

	<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	\$267,735	\$267,735	\$266,601	(\$1,134)
Intergovernmental	56,100	56,100	49,260	(6,840)
<i>Total Revenues</i>	323,835	323,835	315,861	(7,974)
<b>Expenditures</b>				
Current:				
Security of Persons and Property	335,150	335,150	338,489	(3,339)
<i>Net Change in Fund Balance</i>	(11,315)	(11,315)	(22,628)	(11,313)
<i>Fund Balance Beginning of Year</i>	14,087	14,087	14,087	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$2,772</u>	<u>\$2,772</u>	<u>(\$8,541)</u>	<u>(\$11,313)</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 Street Construction, Maintenance and Repair Fund  
 For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$848,000	\$848,000	\$885,809	\$37,809
Fines and Forfeitures	0	0	153,408	153,408
Other	2,000	2,000	65,967	63,967
<i>Total Revenues</i>	<u>850,000</u>	<u>850,000</u>	<u>1,105,184</u>	<u>255,184</u>
<b>Expenditures</b>				
Current:				
Transportation	766,778	949,720	935,425	14,295
Debt Service:				
Principal Retirement	8,595	8,595	8,595	0
<i>Total Expenditures</i>	<u>775,373</u>	<u>958,315</u>	<u>944,020</u>	<u>14,295</u>
<i>Net Change in Fund Balance</i>	74,627	(108,315)	161,164	269,479
<i>Fund Balance Beginning of Year</i>	251,192	251,192	251,192	0
Prior Year Encumbrances Appropriated	41,821	41,821	41,821	0
<i>Fund Balance End of Year</i>	<u>\$367,640</u>	<u>\$184,698</u>	<u>\$454,177</u>	<u>\$269,479</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2016*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$56,080	\$595,329	\$651,409	\$0
Intergovernmental Receivable	1,846	156,771	158,617	0
Accounts Receivable	1,091,712	467,980	1,559,692	0
Special Assessments Receivable	22,618	11,861	34,479	0
Prepaid Items	27,017	10,599	37,616	0
Interfund Receivable	0	0	0	89,438
<i>Total Current Assets</i>	<u>1,199,273</u>	<u>1,242,540</u>	<u>2,441,813</u>	<u>89,438</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	3,601,795	5,288,964	0
Depreciable Capital Assets, Net	2,829,852	4,422,170	7,252,022	0
<i>Total Noncurrent Assets</i>	<u>4,517,021</u>	<u>8,023,965</u>	<u>12,540,986</u>	<u>0</u>
<i>Total Assets</i>	<u>5,716,294</u>	<u>9,266,505</u>	<u>14,982,799</u>	<u>89,438</u>
<b>Deferred Outflows of Resources</b>				
Pension	250,799	368,123	618,922	0
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	10,135	13,552	23,687	0
Contracts Payable	170,918	154,924	325,842	0
Accrued Wages	18,144	23,790	41,934	0
Intergovernmental Payable	40,155	14,638	54,793	0
Interfund Payable	40,839	15,347	56,186	186
Accrued Interest Payable	7,011	2,791	9,802	0
Compensated Absences Payable	36,416	66,867	103,283	0
Revenue Bonds Payable	248,053	91,746	339,799	0
OWDA Loans Payable	50,148	21,909	72,057	0
Claims Payable	0	0	0	89,438
<i>Total Current Liabilities</i>	<u>621,819</u>	<u>405,564</u>	<u>1,027,383</u>	<u>89,624</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	38,651	123,805	162,456	0
Revenue Bonds Payable (net of current portion)	256,786	94,975	351,761	0
OWDA Loans Payable	0	904,165	904,165	0
Net Pension Liability	664,461	944,234	1,608,695	0
<i>Total Long-Term Liabilities</i>	<u>959,898</u>	<u>2,067,179</u>	<u>3,027,077</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,581,717</u>	<u>2,472,743</u>	<u>4,054,460</u>	<u>89,624</u>
<b>Deferred Inflows of Resources</b>				
Pension	32,248	18,244	50,492	0
<b>Net Position</b>				
Net Investment in Capital Assets	3,962,034	6,911,170	10,873,204	0
Unrestricted (Deficit)	391,094	232,471	623,565	(186)
<i>Total Net Position</i>	<u>\$4,353,128</u>	<u>\$7,143,641</u>	<u>\$11,496,769</u>	<u>(\$186)</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2016*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Operating Revenues</b>				
Charges for Services	\$3,774,233	\$2,055,290	\$5,829,523	\$1,320,574
Special Assessments	2,206	0	2,206	0
<i>Total Operating Revenues</i>	<u>3,776,439</u>	<u>2,055,290</u>	<u>5,831,729</u>	<u>1,320,574</u>
<b>Operating Expenses</b>				
Personal Services	837,370	1,051,296	1,888,666	0
Materials and Supplies	455,669	286,655	742,324	0
Contractual Services	2,223,921	159,995	2,383,916	230,807
Depreciation	72,452	161,106	233,558	0
Claims	0	0	0	1,089,783
Other	42,225	3,193	45,418	0
<i>Total Operating Expenses</i>	<u>3,631,637</u>	<u>1,662,245</u>	<u>5,293,882</u>	<u>1,320,590</u>
<i>Operating Income (Loss)</i>	<u>144,802</u>	<u>393,045</u>	<u>537,847</u>	<u>(16)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest and Fiscal Charges	(23,534)	(9,653)	(33,187)	0
Other Non-Operating Revenues	6,205	0	6,205	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(17,329)</u>	<u>(9,653)</u>	<u>(26,982)</u>	<u>0</u>
<i>Change in Net Position</i>	127,473	383,392	510,865	(16)
<i>Net Position (Deficit) Beginning of Year</i>	<u>4,225,655</u>	<u>6,760,249</u>	<u>10,985,904</u>	<u>(170)</u>
<i>Net Position (Deficit) End of Year</i>	<u>\$4,353,128</u>	<u>\$7,143,641</u>	<u>\$11,496,769</u>	<u>(\$186)</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2016

	Enterprise			Internal Service
	Water	Sewer	Total	
<i><b>Increase (Decrease) in Cash and Cash Equivalents</b></i>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$4,010,299	\$2,187,543	\$6,197,842	\$0
Cash Received from Interfund Services Provided	0	0	0	1,366,779
Special Assessments	0	27,066	27,066	0
Cash Payments to Employees for Services	(822,648)	(999,279)	(1,821,927)	0
Cash Payments for Goods and Services	(2,510,206)	(451,883)	(2,962,089)	(230,807)
Cash Payments for Claims	0	0	0	(1,135,988)
Other Cash Payments	(42,225)	(3,193)	(45,418)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>635,220</u>	<u>760,254</u>	<u>1,395,474</u>	<u>(16)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
<b>Financing Activities</b>				
Non-Operating Revenues Received	6,205	0	6,205	0
Cash received from Other Funds	0	0	0	186
Cash used in Repayment of Interfund Loans	(243,364)	0	(243,364)	(170)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>(237,159)</u>	<u>0</u>	<u>(237,159)</u>	<u>16</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Capital Acquisitions	0	(1,111,894)	(1,111,894)	0
Proceeds from OWDA Loans	0	904,165	904,165	0
Principal Paid on OWDA Loans	(73,593)	(42,028)	(115,621)	0
Principal Paid on Revenue Bonds	(239,617)	(88,626)	(328,243)	0
Interest Paid on OWDA Loans	(4,862)	(3,028)	(7,890)	0
Interest Paid on Revenue Bonds	(23,909)	(8,843)	(32,752)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(341,981)</u>	<u>(350,254)</u>	<u>(692,235)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	56,080	410,000	466,080	0
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>0</u>	<u>185,329</u>	<u>185,329</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$56,080</u>	<u>\$595,329</u>	<u>\$651,409</u>	<u>\$0</u>

(continued)



**City of Girard, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
For the Year Ended December 31, 2016

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	\$144,802	\$393,045	\$537,847	(\$16)
Adjustments:				
Depreciation	72,452	161,106	233,558	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	236,066	132,253	368,319	0
Special Assessments Receivable	(2,206)	27,066	24,860	0
Intergovernmental Receivable	(1,846)	(156,771)	(158,617)	0
Prepaid Items	(16,517)	6,259	(10,258)	0
Interfund Receivable	0	0	0	46,205
(Increase) Decrease in Deferred Outflows - Pension	55,189	76,533	131,722	0
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	1,656	(3,667)	(2,011)	0
Contracts Payable	166,605	142,534	309,139	0
Accrued Wages	3,513	3,473	6,986	0
Compensated Absences Payable	1,365	25,835	27,200	0
Intergovernmental Payable	3,004	(14,463)	(11,459)	0
Interfund Payable	(5,410)	(12,345)	(17,755)	0
Net Pension Liability	(6,844)	(9,727)	(16,571)	0
(Increase) Decrease in Deferred Inflows - Pension	(16,609)	(10,877)	(27,486)	0
Claims Payable	0	0	0	(46,205)
<i>Total Adjustments</i>	490,418	367,209	857,627	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$635,220</u>	<u>\$760,254</u>	<u>\$1,395,474</u>	<u>(\$16)</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2016*

	Private Purpose Trust	
	Memorial	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,745	\$0
Cash and Cash Equivalents in Segregated Accounts	0	41,019
<i>Total Assets</i>	1,745	\$41,019
<b>Liabilities</b>		
Undistributed Monies	0	\$41,019
<b>Net Position</b>		
Held in Trust for Endowment	\$1,745	

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Year Ended December 31, 2016*

	Private Purpose Trust
	Memorial
<b>Additions</b>	\$0
<b>Deductions</b>	
Materials and Supplies	72
<i>Change in Net Position</i>	(72)
<i>Net Position Beginning of Year</i>	1,817
<i>Net Position End of Year</i>	\$1,745

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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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.

***Reporting Entity***

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

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

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

The City participates in the Eastgate Development and Transportation Agency and the Emergency Management Agency, both jointly governed organizations. These organizations are presented in Note 16 to the basic financial statements.

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

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

***Basis of Presentation***

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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

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

***Fund Accounting***

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

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

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

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

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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

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

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

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

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

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

**Fiduciary Funds**

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

**Measurement Focus**

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

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

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.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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

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

***Basis of Accounting***

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

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

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

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

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported in the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 13.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental local and state monies and homestead and rollback. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities found on page 19. Deferred inflows of resources related to pension are reported on the government – wide statement of net position (See Note 13).

***Pensions***

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

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

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

***Cash and Cash Equivalents***

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

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

During 2016, investments were limited to a money market mutual fund reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2016 amount to \$69, all of which was assigned from other City funds.

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



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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.

***Capital Assets***

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

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

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

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

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

***Interfund Balances***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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***Compensated Absences***

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

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

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

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

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

***Fund Balance***

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

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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

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

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

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

***Net Position***

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

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

***Operating Revenues and Expenses***

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

***Estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2016

***Budgetary Process***

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

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

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

**Note 3 – Compliance and Accountability**

***Compliance***

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

Fund/Function	Object	Appropriations	Expenditures Plus Encumbrances	Variance
<b>General Fund</b>				
General Government	Personal Services	\$1,197,097	\$1,208,640	(\$11,543)
General Government	Materials and Supplies	324,131	371,648	(47,517)
General Government	Contractual Services	256,612	204,356	52,256
General Government	Other	86,563	82,126	4,437
<i>Sub-total for General Government</i>		<u>1,864,403</u>	<u>1,866,770</u>	<u>(2,367)</u>
Security of Persons and Property	Personal Services	2,449,787	2,521,585	(71,798)
Security of Persons and Property	Materials and Supplies	170,466	177,740	(7,274)
Security of Persons and Property	Contractual Services	123,771	99,408	24,363
<i>Sub-total for Security of Persons and Property</i>		<u>2,744,024</u>	<u>2,798,733</u>	<u>(54,709)</u>
Public Health Services	Personal Services	6,068	46,270	(40,202)
Public Health Services	Materials and Supplies	17,240	3,642	13,598
Public Health Services	Contractual Services	303	2,001	(1,698)
<i>Sub-total for Public Health Services</i>		<u>23,611</u>	<u>51,913</u>	<u>(28,302)</u>
Transportation	Personal Services	15,470	18,853	(3,383)
Transportation	Materials and Supplies	1,620	385	1,235
<i>Sub-total for Transportation</i>		<u>\$17,090</u>	<u>\$19,238</u>	<u>(\$2,148)</u>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

Fund/Function	Object	Appropriations	Expenditures Plus Encumbrances	Variance
<b>Fire Levy</b>				
Security of Persons and Property	Personal Services	\$329,150	\$333,126	(\$3,976)
Security of persons and property	Contractual Services	6,000	5,363	637
<i>Total Fire Levy</i>		<u>\$335,150</u>	<u>\$338,489</u>	<u>(\$3,339)</u>

The general fund had original appropriations of \$4,681,261 in excess of estimated resources plus carryover balances of \$4,554,816 contrary to Section 5705.39, Ohio Revised Code.

The general fund had final appropriations of \$4,649,128 in excess of estimated resources plus carryover balances of \$4,584,616 in violation of Section 5705.39, Ohio Revised Code.

The garbage special revenue fund had original appropriations of \$541,897 in excess of estimated resources plus carryover balances of \$531,063 contrary to Section 5705.39, Ohio Revised Code.

The garbage special revenue fund had final appropriations of \$572,093 in excess of estimated resources plus carryover balances of \$530,257 in violation of Section 5705.39, Ohio Revised Code.

The City had negative cash balances of \$269,386, \$8,541, \$186 and \$283,089 in the general fund, the fire levy special revenue fund, the hospitalization internal service fund and the water fund, respectively, indicating that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10.

**Accountability**

Fund balances at December 31, 2016, include the following individual fund deficits:

	<u>Deficit Fund Balances</u>
<i>Major Funds:</i>	
General	\$232,332
Garbage	18,842
Fire Levy	8,541
<i>Internal Service Fund:</i>	
Hospitalization	186

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

The deficits in the general fund and the fire levy special revenue fund and the hospitalization internal service fund resulted from the City expending more than they received in revenue.

**Note 4 - Budgetary Basis of Accounting**

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

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

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

Net Change in Fund Balances				
	General	Garbage	Fire Levy	Street Construction Maintenance and Repair
GAAP Basis	\$141,884	(\$27,679)	(\$5,548)	\$294,664
Net Adjustment for Revenue Accruals	(62,672)	(1,448)	0	(174,518)
Beginning Unrecorded Cash	(107)	0	(17,080)	0
Perspective Difference:				
Health	22,601	0	0	0
Recreation	(34,058)	0	0	0
Net Adjustment for Expenditures Accruals	(101,917)	769	0	95,969
Encumbrances	(52,055)	0	0	(54,951)
Budget Basis	<u>(\$86,324)</u>	<u>(\$28,358)</u>	<u>(\$22,628)</u>	<u>\$161,164</u>

**Note 5 - Deposits and Investments**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited.

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

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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**Deposits**

***Custodial Credit Risk*** - Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,851,938 of the City's bank balance of \$2,463,299 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

**Investments**

Investments are reported at fair value. As of December 31, 2016, the City's only investment was a money market mutual fund with a fair value, as a level one input, of \$93,485.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2016. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs).

***Interest Rate Risk*** As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in short-term investments maturing within two years from the date of purchase if they have a variable interest rate and five years for investments that have a fixed rate and that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

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

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

**Note 6 - Fund Balances**

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



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Fund Balances	General	Garbage	Fire Levy	Street Construction Maintenance and Repair	Bond Retirement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>							
Prepays	\$18,017	\$0	\$0	\$4,767	\$0	\$1,500	\$24,284
Unclaimed Monies	33,802	0	0	0	0	0	33,802
<b><i>Total Nonspendable</i></b>	<b>51,819</b>	<b>0</b>	<b>0</b>	<b>4,767</b>	<b>0</b>	<b>1,500</b>	<b>58,086</b>
<b><i>Restricted for</i></b>							
General Government	0	0	0	0	0	52,061	52,061
Public Safety	3,662	0	0	0	0	35,630	39,292
Police Pension	0	0	0	0	0	1,661	1,661
Fire Pension	0	0	0	0	0	2,987	2,987
Senior Activities	0	0	0	0	0	1,702	1,702
Street Maintenance	0	0	0	565,356	0	103,434	668,790
Landfill	5	0	0	0	0	0	5
Public Health and Welfare	0	0	0	0	0	51,852	51,852
Community Development	0	0	0	0	0	289,351	289,351
Debt Service	0	0	0	0	78,001	0	78,001
Capital Improvements	0	0	0	0	0	587,988	587,988
<b><i>Total Restricted</i></b>	<b>3,667</b>	<b>0</b>	<b>0</b>	<b>565,356</b>	<b>78,001</b>	<b>1,126,666</b>	<b>1,773,690</b>
<b><i>Unassigned (Deficit)</i></b>	<b>(287,818)</b>	<b>(18,842)</b>	<b>(8,541)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(315,201)</b>
<b><i>Total Fund Balances</i></b>	<b>(\$232,332)</b>	<b>(\$18,842)</b>	<b>(\$8,541)</b>	<b>\$570,123</b>	<b>\$78,001</b>	<b>\$1,128,166</b>	<b>\$1,516,575</b>

**Note 7 - Receivables**

Receivables at December 31, 2016, consisted primarily of municipal income taxes, property taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

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

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

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes.

2016 real property taxes were levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

**City of Girard, Ohio**  
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*For The Year Ended December 31, 2016*

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. 2015 public utility property taxes which became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2016, was \$13.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$84,016,610
Other Real Estate	20,120,590
Tangible Personal Property	
Public Utility	5,520,460
Total Assessed Values	\$109,657,660

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, 2016, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2016 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

***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: 89.35 percent went to the general fund (January through December), 9.3 percent went to the general obligation bond retirement fund (January through December) 1.3 percent went to the garbage fund (January through December) and 0.05 percent went to the capital improvement fund (January through December).

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
<b>Governmental Activities</b>	
Gasoline and Municipal Cents per Gallon	\$212,349
Homestead and Rollback	99,422
CHIPS Grant	83,600
Local Government	56,341
Municipal Court	50,491
Motor Vehicle License Tax	46,051
Estate Tax	6,435
BWC True-up Credit	3,693
Total Governmental Activities	\$558,382
 <b>Business-Type Activities</b>	
OWDA receivable	\$154,924
BWC True-up Credit	3,693
Total Business-Type Activities	\$158,617

**Note 8 - Compensated Absences**

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

**Note 9 - Contingencies**

***Litigation***

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

***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, 2016.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2016

**Note 10 - Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016
<b>Business Type Activities:</b>				
<i>Capital Assets not being Depreciated:</i>				
Land	\$4,187,169	\$200,000	\$0	\$4,387,169
Construction in Progress	0	901,795	0	901,795
<i>Total Capital Assets not being Depreciated</i>	<u>4,187,169</u>	<u>1,101,795</u>	<u>0</u>	<u>5,288,964</u>
<i>Capital Assets being Depreciated:</i>				
Buildings	7,028,774	0	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	2,060,990	0	0	2,060,990
Vehicles	345,308	10,099	0	355,407
Infrastructure	1,009,147	0	0	1,009,147
Total Capital Assets being Depreciated	<u>13,984,219</u>	<u>10,099</u>	<u>0</u>	<u>13,994,318</u>
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,346,094)	(63,898)	0	(2,409,992)
Building Improvements	(2,609,396)	(58,791)	0	(2,668,187)
Furniture and Equipment	(535,261)	(82,621)	0	(617,882)
Vehicles	(284,909)	(8,064)	0	(292,973)
Infrastructure	(733,078)	(20,184)	0	(753,262)
<i>Total Accumulated Depreciation</i>	<u>(6,508,738)</u>	<u>(233,558)</u>	<u>0</u>	<u>(6,742,296)</u>
Total Capital Assets being Depreciated, Net	<u>7,475,481</u>	<u>(223,459)</u>	<u>0</u>	<u>7,252,022</u>
Business Type Activities Capital Assets, Net	<u>\$11,662,650</u>	<u>\$878,336</u>	<u>\$0</u>	<u>\$12,540,986</u>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2016

<b>Governmental Activities</b>	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016
<b><i>Capital Assets not being Depreciated:</i></b>				
Land	\$1,114,360	\$0	\$0	\$1,114,360
<b><i>Capital Assets being Depreciated:</i></b>				
Buildings	9,075,756	0	0	9,075,756
Building Improvements	168,295	0	0	168,295
Furniture and Equipment	1,713,422	0	0	1,713,422
Vehicles	2,099,343	83,600	0	2,182,943
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
<b>Total Capital Assets being Depreciated</b>	<b>80,544,669</b>	<b>83,600</b>	<b>0</b>	<b>80,628,269</b>
<b><i>Less Accumulated Depreciation:</i></b>				
Buildings	(2,521,272)	(81,584)	0	(2,602,856)
Building Improvements	(110,114)	(4,250)	0	(114,364)
Furniture and Equipment	(1,573,598)	(17,539)	0	(1,591,137)
Vehicles	(788,066)	(126,331)	0	(914,397)
Infrastructure:				
Streets	(40,946,253)	(1,051,109)	0	(41,997,362)
Sidewalks	(10,057,133)	(257,875)	0	(10,315,008)
Curbs	(1,590,139)	(40,773)	0	(1,630,912)
<b>Total Accumulated Depreciation</b>	<b>(57,586,575)</b>	<b>(1,579,461) *</b>	<b>0</b>	<b>(59,166,036)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>22,958,094</b>	<b>(1,495,861)</b>	<b>0</b>	<b>21,462,233</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$24,072,454</b>	<b>(\$1,495,861)</b>	<b>\$0</b>	<b>\$22,576,593</b>

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

General Government	\$63,357
Security of Persons and Property	106,416
Public Health Services	3,665
Transportation	1,094,845
Community Development	298,648
Basic Utility Services	7,158
Leisure Time Activities	5,372
<b>Total Depreciation Expense</b>	<b>\$1,579,461</b>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2016

**Note 11 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Business-Type Activities:</b>			
<i>Special Obligation Bonds</i>			
Water System Revenue Bonds	3.49%	\$1,615,000	2018
<i>Ohio Water Development Authority Loans</i>			
OWDA Water and Sewer Loan	5.65	\$687,526	2017
Water Distribution	6.36	441,086	2017
Liberty Water	6.36	47,158	2017
WWTF Peak Flow Treatment	1.00	1,943,641	2022
<b>Governmental Activities:</b>			
Various Purpose Bonds, Series 2016	3.73	2,276,507	2021
Ohio Public Works Commission Loan	0.00	171,896	2019
Police and Fire Pension	4.25	377,328	2035

A schedule of changes in bonds and other long-term obligations of the City during 2016 follows:

	Amount Outstanding 12/31/2015	Additions	Deletions	Amount Outstanding 12/31/2016	Amounts Due In One Year
<b>Business-Type Activities:</b>					
<i>Special Obligation Bonds</i>					
Water System Revenue Bonds	\$1,019,803	\$0	(\$328,243)	\$691,560	\$339,799
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	97,316	0	(63,969)	33,347	33,347
Water Distribution	71,247	0	(34,526)	36,721	36,721
Liberty Water	5,849	0	(3,860)	1,989	1,989
Liberty Street Waterline Replacement	13,266	0	(13,266)	0	0
WWTF Peak Flow Treatment	0	904,165	0	904,165	0
Total Ohio Water Development Authority Loans	187,678	904,165	(115,621)	976,222	72,057
Net Pension Liability - OPERS:					
Water	492,093	172,368	0	664,461	0
Sewer	639,721	304,513	0	944,234	0
Total Net Pension Liability	1,131,814	476,881	0	1,608,695	0
Compensated Absences	238,539	108,803	(81,603)	265,739	103,283
<b>Total Business-Type Activities Obligations</b>	<b>\$2,577,834</b>	<b>\$1,489,849</b>	<b>(\$525,467)</b>	<b>\$3,542,216</b>	<b>\$515,139</b>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2016

	Amount Outstanding 12/31/2015	Additions	Deletions	Amount Outstanding 12/31/2016	Amounts Due In One Year
<b>Governmental Activities Obligations:</b>					
Net Pension Liability:					
OPERS	\$1,328,653	\$559,816	\$0	\$1,888,469	\$0
OP&F	4,418,709	1,788,624	0	6,207,333	0
Total Net Pension Liability	5,747,362	2,348,440	0	8,095,802	0
Notes Payable	2,529,452	0	(2,529,452)	0	0
Various Purpose Bonds, Series 2016	0	2,276,507	0	2,276,507	309,651
Ohio Public Works Commission Loan	34,379	0	(8,595)	25,784	8,595
Capital Lease	34,524	0	(34,524)	0	0
Compensated Absences	748,960	301,753	(296,097)	754,616	282,629
Police and Fire Pension	225,727	0	(7,696)	218,031	8,038
<i>Total Governmental Activities Obligations</i>	<u>\$9,320,404</u>	<u>\$4,926,700</u>	<u>(\$2,876,364)</u>	<u>\$11,370,740</u>	<u>\$608,913</u>

Special Obligation bonds and OWDA loans will be paid from water and sewer enterprise fund user service charges. The OPWC loan payable will be paid with monies from the street construction maintenance and repair special revenue fund. The City pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the following funds: the general fund, the street construction maintenance and repair special revenue fund and the water and sewer enterprise funds. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: general fund, fire pension, cemetery, street repair and maintenance special revenue funds and the water and sewer enterprise funds. For additional information related to the net pension liability see Note 13. The capital lease will be paid from the street permissive tax special revenue fund. The City pays semi-annual installments on the police and fire pension liability incurred when the State of Ohio established the statewide pension system for police and firemen in 1967.

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

On June 28, 2016, the City issued \$2,276,507 in various purpose improvement bonds for the justice center and street widening project. The interest rates on the bonds are 3.73 percent and they mature on June 28, 2021. The bonds will be paid from the bond retirement fund.

In 2016, the City was approved for a \$1,943,641 Ohio Water Development Authority loan for the WWTF Peak Flow Treatment project. Total current year additions of \$904,165 consisted of proceeds of \$901,795 and capitalized interest of \$2,370. This loan has not been finalized and therefore the repayment schedule is not included in the schedule of debt service payments.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans and revenue bonds in the water fund. The debt is payable solely from net revenues and are payable through 2018. Annual principal and interest payments on the debt issues required more than 100 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$579,988. Principal and interest paid for the current year and total net revenues were \$341,981 and \$215,048 respectively.

**City of Girard, Ohio**  
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For The Year Ended December 31, 2016

The City has pledged future revenues, net of operating expenses, to repay OWDA loans and revenue bonds in the sewer fund. The debt is payable solely from net revenues and are payable through 2018. Annual principal and interest payments on the debt issues are expected to require less than 26 percent of net revenues. The total principal and interest remaining to be paid on bonds and finalized loans is \$217,465. Principal and interest paid for the current year and total net revenues were \$142,525 and \$554,151 respectively.

The City's overall legal debt margin was \$8,598,204 at December 31, 2016. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016, are as follows:

Business-Type Activities:

	OWDA Loans		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$72,057	\$3,405	\$339,799	\$21,196
2018	0	0	351,761	9,235
Total	\$72,057	\$3,405	\$691,560	\$30,431

Governmental Activities:

	Police and Fire Pension		Various Purpose Bonds Series 2016		OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2017	\$8,038	\$9,137	\$309,651	\$84,914	\$8,595
2018	8,389	8,784	309,651	73,364	8,595
2019	8,754	8,419	309,651	61,814	8,594
2020	9,130	8,043	309,651	50,264	0
2021	9,514	7,659	1,037,903	38,714	0
2022-2026	53,545	32,320	0	0	0
2027-2031	63,443	22,420	0	0	0
2032-2035	57,218	11,472	0	0	0
Total	\$218,031	\$108,254	\$2,276,507	\$309,070	\$25,784

**Note 12 - Risk Management**

*Property and Liability*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the City contracted with US Specialty Insurance Company for various types of insurance as follows:



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

Type	Coverage
Commercial Liability	\$1,000,000/\$3,000,000
Public Officials	1,000,000/1,000,000
Law Enforcement	1,000,000/1,000,000
Automobile	1,000,000
Automobile Physical Damage	Actual Cash Value
Real and Personal Property	24,189,712
Inland Marine	1,244,854
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 City does not reserve or set aside any monies for self-insurance costs. They are pay as you go funded. When claims are received, monies from the individual funds are then expensed and a charge for service revenue is posted to the City's internal service fund. Additionally, the expense to the individual funds is based on actual claims and not proportionately by the employees being covered/paid from the funds. The maintenance of these benefits is accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$50,000 per individual and \$1,600,000 for the City as a whole. Incurred but not reported claims of \$89,438 have been accrued as a liability based on a review of January 2017 billings provided by the City Auditor's Office.

The claims liability of \$89,438 reported in the internal service fund at December 31, 2016 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 2015 and 2016 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2015	\$91,423	\$1,250,324	\$1,206,104	\$135,643
2016	135,643	1,089,783	1,135,988	89,438

***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, 2016*

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**Note 13 - Defined Benefit Pension Plans**

***Net Pension Liability***

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

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

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

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

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

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

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

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

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

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

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

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

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

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

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$292,052 for 2016. Of this amount, \$42,970 is reported as an intergovernmental payable.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
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Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to three percent of their base pension or disability benefit.

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

	Police	Firefighters
<b>2016 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
<b>2016 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$378,607 for 2016. Of this amount, \$65,574 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	
Proportion of the Net Pension Liability:			
Current Measurement Date	0.020190%	0.0964910%	
Prior Measurement Date	0.020400%	0.0852964%	
Change in Proportionate Share	-0.0002100%	0.0111946%	
			Total
Proportionate Share of the Net Pension Liability	\$3,497,164	\$6,207,333	\$9,704,497
Pension Expense	\$482,629	\$905,510	\$1,388,139

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2016

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$1,027,948	\$1,010,316	\$2,038,264
Changes in proportion and differences between City contributions and proportionate share of contributions	11,722	465,282	477,004
City contributions subsequent to the measurement date	<u>292,052</u>	<u>378,607</u>	<u>670,659</u>
Total Deferred Outflows of Resources	<u><u>\$1,331,722</u></u>	<u><u>\$1,854,205</u></u>	<u><u>\$3,185,927</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$67,572	\$17,430	\$85,002
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>28,433</u>	<u>0</u>	<u>\$28,433</u>
Total Deferred Inflows of Resources	<u><u>\$96,005</u></u>	<u><u>\$17,430</u></u>	<u><u>\$113,435</u></u>

\$670,659 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$217,113	\$352,336	\$569,449
2018	233,550	352,336	585,886
2019	260,378	352,336	612,714
2020	232,624	294,478	527,102
2021	0	89,650	89,650
Thereafter	<u>0</u>	<u>17,032</u>	<u>17,032</u>
Total	<u><u>\$943,665</u></u>	<u><u>\$1,458,168</u></u>	<u><u>\$2,401,833</u></u>

***Actuarial Assumptions - OPERS***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

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

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

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
<b>Total</b>	<b>100.00 %</b>	<b>5.27 %</b>

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

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability	\$5,571,834	\$3,497,164	\$1,747,243

***Changes between Measurement Date and Report Date***

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

***Actuarial Assumptions – OP&F***

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent, simple

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2015, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Real Rate of Return**</u>	<u>30Year Expected Real Rate of Return**</u>
Cash and Cash Equivalents	- %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected Securities*	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	<u>120.00 %</u>		

Note: Assumptions are geometric.

\* levered 2x

\*\* Numbers are net of expected inflation

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$8,186,642	\$6,207,333	\$4,530,665

**Note 14 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015 and 2014 was \$48,675, \$50,257 and \$50,083, respectively. For 2016, 85.71 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

***Police and Fire Pension Fund***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OPF website at [www.opf.org](http://www.opf.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contribution 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 OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF for the years ended December 31, 2016, 2015 and 2014 were \$387,547, \$393,709 and \$399,050, respectively, of which \$8,940, \$9,097 and \$9,181, respectively, was allocated to the healthcare plan. For 2016, 97.68 percent has been contributed for both police and firefighters with the balance being reported as an *intergovernmental payable*. The full amount has been contributed for 2015 and 2014.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

**Note 15 - Interfund Balances**

Interfund balances at December 31, 2016, consisted of (1) a \$278,113 interfund receivable/payable between the street construction, maintenance and repair fund and the general, fire levy and internal service funds due to negative cash and (2) a \$89,438 interfund receivable/payable between the internal service fund and the various governmental and enterprise funds due to the City moving monies to pay claims when funds are needed rather than when claims are incurred.

Interfund Payable	Interfund Receivable		
	Street Construction, Maintenance and Repair	Internal Service	Total
<i>Governmental Funds</i>			
General	\$269,386	\$27,519	\$296,905
Fire Levy	8,541	0	8,541
Street Construction, Maintenance and Repair	0	5,718	5,718
Other Governmental Funds	0	15	15
<i>Total Governmental Funds</i>	<u>277,927</u>	<u>33,252</u>	<u>311,179</u>
Water	0	40,839	40,839
Sewer	0	15,347	15,347
<i>Total Enterprise Funds</i>	<u>0</u>	<u>56,186</u>	<u>56,186</u>
Internal Service Fund	186	0	186
<i>Totals</i>	<u><u>\$278,113</u></u>	<u><u>\$89,438</u></u>	<u><u>\$367,551</u></u>

**Note 16 - 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 2016, the City contributed \$3,684 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 2016, the City contributed \$2,091 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

**Note 17 – Significant Commitments**

***Encumbrances***

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

<b><i>Governmental Funds:</i></b>		<b><i>Proprietary Funds:</i></b>	
General	\$52,055	Water fund	\$64,205
Street Construction,		Sewer fund	225,485
Maintenance and Repair	54,951	Hospitalization fund	26
Other Governmental Funds	18,060	Total Proprietary	<u>289,716</u>
Total Governmental	<u>\$125,066</u>		

**Note 18 – Change in Accounting Principle**

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” GASB Statement No. 79, “Certain External Investment Pools and Pool Participants,” GASB Statement No. 77, “Tax Abatement Disclosures.” and GASB Statement No. 82, “Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68. The implementation of this GASB pronouncement did not result in any changes to the City’s financial statements.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the City’s financial statements.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2016*

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GASB Statement No. 77 requires disclosure of information about the nature and magnitude of tax abatements. The City did not have any agreements meeting the GASB 77 definition of a tax abatement.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into their 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City's 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 19 – Financial Difficulties**

As of December 31, 2016, the City had deficit cash balances of \$269,386 in the general fund, \$8,541 in the fire levy special revenue fund and \$186 in the hospitalization internal service fund. Based on the shortage of money, the City had no choice but to use funds from the street construction, maintenance and repair special revenue fund to cover the deficits. The City's plan to eliminate the negative cash balances in the general fund, the fire levy special revenue fund and the hospitalization internal service fund is to try to decrease disbursements in these funds.

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## Required Supplementary Information

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

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.020190%	0.020400%	0.020400%
City's Proportionate Share of the Net Pension Liability	\$3,497,164	\$2,460,467	\$2,404,894
City's Covered-Employee Payroll	\$2,512,833	\$2,500,917	\$2,561,854
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	139.17%	98.38%	93.87%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

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

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

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

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

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

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

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

	2016	2015	2014	2013
Contractually Required Contribution	\$292,052	\$301,540	\$300,110	\$333,041
Contributions in Relation to the Contractually Required Contribution	(292,052)	(301,540)	(300,110)	(333,041)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,433,767	\$2,512,833	\$2,500,917	\$2,561,854
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$378,607	\$384,612	\$356,960	\$279,541
Contributions in Relation to the Contractually Required Contribution	<u>(378,607)</u>	<u>(384,612)</u>	<u>(356,960)</u>	<u>(279,541)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,788,048	\$1,819,362	\$1,681,335	\$1,570,617
Contributions as a Percentage of Covered-Employee Payroll	21.17%	21.14%	21.23%	17.80%

2012	2011	2010	2009	2008	2007
\$262,560	\$282,535	\$258,828	\$246,708	\$248,908	\$235,624
(262,560)	(282,535)	(258,828)	(246,708)	(248,908)	(235,624)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,765,717	\$1,909,227	\$1,735,014	\$1,660,712	\$1,670,300	\$1,577,022
14.87%	14.80%	14.92%	14.86%	14.90%	14.94%

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# Dave Yost • Auditor of State

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

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

To the Honorable Mayor and City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 5, 2018. We qualified our opinions on the business-type activities, Water Fund, and Sewer Fund because management has not adopted a methodology for calculating an actual accounts receivable balance and has not considered the need to provide an allowance for uncollectible amounts. Also noted in Note 19 to the financial statements, the City has suffered losses from operations and has General Fund, Fire Levy Special Revenue Fund, and Hospitalization Internal Service Fund fund balance deficits as of December 31, 2016 of (\$269,386), (\$8,541), and (\$186), respectively.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider findings 2016-001, 2016-005, and 2016-006 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-007 and 2016-008 described in the accompanying schedule of findings to be significant deficiencies.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-004.

### ***City's Response to Findings***

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

### ***Purpose of this Report***

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 5, 2018

**CITY OF GIRARD  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016**

**1. Bank vs Book Reconciliations**

<i>Finding Number</i>	2016-001
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**NONCOMPLIANCE AND MATERIAL WEAKNESS**

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

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

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

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

The City Treasurer did not maintain an account of all monies received in accordance with **Ohio Rev. Code § 733.43**. The City Auditor maintained the books of the City as well as the bank accounts. During 2016, the City Auditor did not perform complete and accurate bank reconciliations. The City Auditor could not identify receipt and disbursement transactions that were not posted or posted in error and make subsequent corrections to the accounting system. The City Auditor did not provide accurate fund balances to City management on a monthly basis. The bank reconciliations provided for audit were not complete or accurate. The City Auditor was unable to provide documentation to support reconciling adjustments and was unable to identify the unreconciled balance in the amount of \$1,190.

The City's books were understated at year end by \$43,127 for receipts and disbursements occurring in 2016. Receipts were understated by \$16,677 and disbursements were understated by \$59,804. The number of reconciling adjustments, for transactions that were not posted to the City's accounting system or were posted in error, totaled 88. The following fund balance adjustments were necessary:

Fund	Amount
General Fund	(\$7,789)
Muni Court Special Projects	(310)
Street Construction	(90)
Ambulance Hospital	(579)
Elderly Bus Fare	(4,258)
Law Enforcement Drug	208
CHIPS / CHIS	10,161
Water Revenue	26,266
Sewer Rental	19,571
Cemetery	8
Cemetery TC Tomko	(96)
Cemetery TC King Sek	(38)
Cemetery Mausoleum	(96)
Capital Improvement	2,044
Lakes / Dam Projects	(2,200)
Capital Improvement Safety	325
Total	\$43,127

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

The outstanding check list from the City's primary and payroll checking accounts contained 283 checks totaling \$81,304 that were outstanding for a period longer than one year. Stale dated checks may result in a cumbersome and/or incorrect reconciliation. These outstanding checks should be paid into an unclaimed monies fund as indicated in Ohio Revised Code Section 9.39.

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

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

**Official's Response:** The City will continue to try to get better, more thorough, efficient, and more timely.

2. **Negative Fund Balances**

<i>Finding Number</i>	2016-002
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NONCOMPLIANCE

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

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

- General Fund in the amount of (\$165,257)
- Recreation Fund in the amount of (\$21,223)
- Fire Levy Fund in the amount of (\$8,541)
- Water Revenue Fund in the amount of (\$283,089)

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

- General Fund amounts ranging in the amount of (\$339,616) to (\$485,994) for the months ending from January through November;
- Street Construction and Maintenance Fund in the amount of (\$79,466) for the month ending July;
- Street Permissive tax fund with amounts ranging from (\$4,397) to (\$60,787) for the months ending July, through September;
- Garbage Fund with amounts ranging from (\$35,167) to (\$445,967) for the months ending February through November;
- Ambulance Hospitalization Fund in the amount of (\$286,735) to (\$1,373,692) for the months ending January through November;
- Recreation Fund in the amount of (\$13,836) to (\$61,983) for the months ending January through November;
- Fire Levy Fund in the amount of (\$2,993) to (\$54,497) for the months ending January through March, July, August, and November;
- General Bond Fund with amounts ranging from (\$18,670) to (\$91,156) for the months ending June through September;
- Water Revenue Fund with amounts ranging from (\$108,447) to (\$1,437,952) for the months ending January through April and June through November;
- Sewer Rental Fund in the amount of (\$24,831) to (\$537,518) for the months ending January through April and June through September;
- Cemetery Fund in the amount of (\$724) to (\$34,396) for the months ending January through April and June through September and November; and
- Capital Improvement Funds with amount ranging from (\$1,022) to (\$8,559) for the months of January through March and June through August.

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

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

**Official's Response:** The City will continue to try to get better, more thorough, efficient, and more timely.

**3. Expenditures Exceed Appropriations**

<i>Finding Number</i>	2016-003
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NONCOMPLIANCE

Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

At the end of 2016, the City's expenditures exceeded appropriations for the General Fund, Street Construction Fund, Water Fund, and Sewer Rental Fund in the amount of \$193,320, \$27,526, \$98,430, and \$375,111 respectively.

The City did not have policies and procedures in place to ensure expenditures did not exceed appropriations. Expenditures exceeding appropriations can result in deficit fund balances.

The City should amend the budget if resources are available to help ensure expenditures do not exceed appropriations.

**Official's Response:** The City realizes its responsibilities and will correct.

**4. Water System Revenue Bond Requirements**

<i>Finding Number</i>	2016-004
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NONCOMPLIANCE

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

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

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

At December 31, 2016, the Water Revenue Fund (#601) cash fund balance was \$(192,619); the Sewer Rental Fund (#620) cash fund balance was \$407,691. The Utility fund charges for services were not sufficient to cover the operations of the utility as required by City Ordinance 7883-13 Section 10 for the Water Fund. In addition, the Water System Revenue Bond payments were made directly from the Water Revenue Fund (#601) and the Sewer Rental Fund (#620). The City did not create a Bond Fund in accordance with City Ordinance 7883-13 Section 11.

The City lacked adequate controls to ensure compliance with City Ordinance 7883-13.

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

**Official's Response:** The City will continue to try to get better, more thorough, efficient, and more timely.

5. **Utility Accounts Receivable**

<i>Finding Number</i>	2016-005
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MATERIAL WEAKNESS

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

The accounts receivable (net of un-collectibles) reported in the Statement of Net Assets – Proprietary Funds is potentially misstated because the amount does not factor in an amount for uncollectible accounts. Instead, the accounts receivable amount equals the total amount billed to customers as of year-end but not paid until after December 31, 2016.

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

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

**Official's Response:** The City will continue to try to get better, more thorough, efficient, and more timely.

6. Account Classifications

<i>Finding Number</i>	2016-006
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MATERIAL WEAKNESS

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

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

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

- The City issues speeding citations through the use of photo camera enforcement. A contracted service provider handles the billing and collections and then remits the City share on a monthly basis. The City posted Fines and Forfeitures revenue (net of related expenditures) in the amount of \$153,408 in the Street Construction Maintenance and Repair (SCMR) Fund. This net revenue posting also included an overstatement of \$36. The City should have recorded the gross Fines and Forfeitures revenue of \$272,604 and Security of Persons and Property expenditures of \$119,232 for the SCMR fund.

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

- The City misposted County motor vehicle license tax in the amount of \$8,568 as General Fund Intergovernmental Revenue. The amount should have been posted to the SCMR and State Highway Funds in the amounts of \$7,926 and \$642 respectively. The City has adjusted their accounting system fund balances for these errors in restricted funds.
- The City issues speeding citations through a contracted service provider that handles the billing and collections and then remits the City share on a monthly basis. The City posted Fines and Forfeitures revenue (net of related expenditures) in the amounts of \$115,056 and \$115,056 in the General and Police Capital Improvement funds respectively. The net revenue posting also included an overstatement of \$54 related to receipt #17636. The City should have recorded the gross Fines and Forfeitures revenue of \$204,453 and \$204,453 and Security of Persons and Property expenditures of \$89,424 and \$89,424 for the General and Police Capital Improvement funds respectively.



- The City received \$50,000 from a local school district for providing a police resource officer to the District. The City improperly posted the revenue as fines and forfeitures instead of charges for services revenue.
- The City employs a court magistrate who is paid out of the General Fund. The Court General Special Project Fund (Project Fund) reimbursed the General Fund for a portion of payroll related costs in the amount of \$20,874. The City accounted for the transaction by recording a Capital Outlay expenditure in the Project Fund and corresponding Fines and Forfeitures revenue in the General Fund. The City should have recorded a General Government expenditure in the Project Fund and a reduction of General Government expenditure in the General Fund. This accounting error overstated Fines and Forfeitures revenue and General Government expenditures for the General Fund in the amount of \$20,874.
- The City employs probation officers who are paid out of the General Fund. The Municipal Probation Services Fund (Probation Fund) reimbursed the General Fund for a portion of payroll related costs in the amount of \$186,528. The City accounted for the transaction by recording a Community Development expenditure in the Probation Fund and corresponding Fines and Forfeitures revenue in the General Fund. The City should have recorded a reduction of General Government expenditure in the General Fund instead of Fines and Forfeitures revenue. This accounting error overstated Fines and Forfeitures revenue and General Government expenditures for the General Fund in the amount of \$186,528.
- The court issued a judgment entry ordering the City to transfer \$125,000 from the General / Special Projects fund to the General Fund for the efficient operation of the court and payment of employee health care costs by reimbursing the general fund. The City accounted for the transfer by recording a disbursement in the General/Special Projects Fund and revenue in the General Fund. The Auditor's office accounted for the transaction improperly. General Fund expenditures should have been reduced and moved to Gen/Special projects fund, and no revenue should have been posted to General Fund.

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

**Official's Response:** The City will continue to try to get better, more thorough, efficient, and more timely.

**7. Lack of Monitoring**

<i>Finding Number</i>	2016-007
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SIGNIFICANT DEFICIENCY

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

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

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

- (1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- (2) Control activities, which are policies and procedures that help ensure management directives are carried out so as to identify and assess the risks of material misstatements, whether due to fraud or error, at the financial statement and relevant assertion levels.
- (3) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- (4) Monitoring, which is a process that assesses the quality of internal control performance over time.

(D) When designing the public office's system of internal control and the specific control activities, management should consider the following (such as but not limited to):

- (1) Ensure that all transactions are properly authorized in accordance with management's policies.
- (2) Ensure that accounting records are properly designed.
- (3) Ensure adequate security of assets and records.
- (4) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

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

**Official's Response:** The City will continue to try to get better, more thorough, efficient, and more timely.

**8. Health Plan Administrator Monitoring**

<i>Finding Number</i>	2016-008
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SIGNIFICANT DEFICIENCY

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

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

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

The City should request an annual report from HPA under AT-C 320 covering the City's claims processing system. In the event HPA does not agree to have the control report prepared, as an alternative the City should have qualified consultants, selected by the City, perform procedures to test the adequacy of the internal controls over the claims processing system.

**Official's Response:** The City will continue to try to get better, more thorough, efficient, and more timely.

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**CITY OF GIRARD**  
 100 WEST MAIN STREET • SUITE 4  
 GIRARD, OHIO 44420-2598

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**CITY OF GIRARD  
 TRUMBULL COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
 DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	City did not establish Issue 2 funds or account for activity on their accounting system	Not applicable	City did not receive any Issue 2 monies in 2016
2015-002	Water System Revenue Bond Requirements (initially occurred 2014)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2015-003	Negative Fund Balances (initially occurred 2014)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2015-004	Actual expenditures exceeded appropriations	Not corrected	The City realizes its responsibilities and will correct.
2015-005	Bank Versus Book Reconciliations (initially occurred 2007)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2015-006	Account Classifications (initially occurred 2011)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2015-007	Utility Accounts Receivable (initially occurred 2006)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2015-008	Health Plan Administrators SOC 1 Report (initially occurred 2011)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2015-009	OPWC Project Local Share Expenditures	Corrected	
2015-010	Lack of Monitoring (initially occurred 2014)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.

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# Dave Yost • Auditor of State

CITY OF GIRARD

TRUMBULL COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 27, 2018