



Dave Yost • Auditor of State

**CITY OF GIRARD
TRUMBULL COUNTY
DECEMBER 31, 2015**

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TRUMBULL COUNTY
DECEMBER 31, 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To Honorable Mayor and City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

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

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

Qualified Opinions

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Business-Type Activities, Water Fund, and Sewer Fund* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, Water Fund, and Sewer Fund of the City of Girard, Trumbull County, Ohio, as of December 31, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the General Fund, the Garbage Fund, the CHIP Fund, the Street Construction, Maintenance & Repair Fund, the Fire Levy Fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio, as of December 31, 2015, and the respective changes in its financial position thereof and the respective budgetary comparisons for the General Fund, Garbage Fund, CHIPS Fund, Street Construction, Maintenance and Repair Fund and Fire Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, during the year ended December 31, 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Also, as discussed in Note 20 to the financial statements, the City has suffered losses from operations and has General Fund and Water Fund fund balance deficits as of December 31, 2015 of (\$22,539) and (\$243,364), 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 March 9, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2017

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The discussion and analysis of the City of Girard's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. 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 2015 are as follows:

- For 2015, the City implemented GASB Statement No. 68 and Statement No.71 which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources and expense/expenditure. The implementation of these GASB statements reduced beginning net position reported by \$4,933,826 and \$968,200 for governmental and business-type activities, respectively.
- Capital asset additions included the acquisition of land for cemetery plots and the purchase of a mower for the recreation department. These purchases partially offset the decrease in governmental capital assets that resulted due to an additional year of depreciation.
- Outstanding obligations decreased during 2015 due to the City continuing to pay down debt.

Using this Annual Financial Report

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

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

Reporting on the City of Girard as a Whole

While this document contains the large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

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

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

Reporting on the Most Significant Funds of the City of Girard

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

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

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

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

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.

City of Girard
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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 2015 as they compare to 2014.

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and Other Assets	\$4,844,145	\$5,750,516	\$1,882,732	\$2,049,099	\$6,726,877	\$7,799,615
Capital Assets, Net	24,072,454	25,599,309	11,662,650	11,902,430	35,735,104	37,501,739
<i>Total Assets</i>	<u>28,916,599</u>	<u>31,349,825</u>	<u>13,545,382</u>	<u>13,951,529</u>	<u>42,461,981</u>	<u>45,301,354</u>
Deferred Outflows of Resources						
	808,779	519,019	199,098	138,051	1,007,877	657,070
Liabilities						
Current Liabilities	593,356	447,293	160,858	210,166	754,214	657,459
Long-term Liabilities						
Due within one Year	2,876,365	381,773	525,467	722,025	3,401,832	1,103,798
Due in More than one Year						
Net Pension Liability	5,747,362	5,452,845	1,131,814	1,106,251	6,879,176	6,559,096
Other Amounts	696,677	3,605,117	920,553	1,362,246	1,617,230	4,967,363
<i>Total Liabilities</i>	<u>9,913,760</u>	<u>9,887,028</u>	<u>2,738,692</u>	<u>3,400,688</u>	<u>12,652,452</u>	<u>13,287,716</u>
Deferred Inflows of Resources						
Property Taxes	1,093,216	1,085,339	0	0	1,093,216	1,085,339
Pension	23,342	0	19,884	0	43,226	0
<i>Total Deferred Inflows of Resources</i>	<u>1,116,558</u>	<u>1,085,339</u>	<u>19,884</u>	<u>0</u>	<u>1,136,442</u>	<u>1,085,339</u>

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(Table 1)
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Net Position						
Net Investment in						
Capital Assets	\$21,474,099	\$22,644,223	\$10,455,169	\$10,048,473	\$31,929,268	\$32,692,696
Restricted for:						
Capital Projects	443,728	419,771	0	0	443,728	419,771
Debt Service	192,699	213,323	0	0	192,699	213,323
State Highway Maintenance	72,315	77,177	0	0	72,315	77,177
Street Resurfacing and						
Traffic Lights	83,116	75,549	0	0	83,116	75,549
Garbage Collection	155,105	194,151	0	0	155,105	194,151
Other Purposes	1,304,494	1,616,237	0	0	1,304,494	1,616,237
Unrestricted (Deficit)	(5,030,496)	(4,343,954)	530,735	640,419	(4,499,761)	(3,703,535)
<i>Total Net Position</i>	<u>\$18,695,060</u>	<u>\$20,896,477</u>	<u>\$10,985,904</u>	<u>\$10,688,892</u>	<u>\$29,680,964</u>	<u>\$31,585,369</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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.

Under the new standards required by GASB 68, the net pension liability equals 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.

As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2014, from \$25,830,303 to \$20,896,477 for governmental activities and from \$11,657,092 to \$10,688,892 for business-type activities.

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

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal year 2015 and 2014.

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(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Program Revenues						
Charges for Services and Assessments	\$1,329,969	\$1,398,293	\$5,893,893	\$6,588,119	\$7,223,862	\$7,986,412
Operating Grants and Contributions	1,101,053	1,688,123	0	17,062	1,101,053	1,705,185
Capital Grants and Contributions	115,421	0	60,000	0	175,421	0
<i>Total Program Revenues</i>	<u>2,546,443</u>	<u>3,086,416</u>	<u>5,953,893</u>	<u>6,605,181</u>	<u>8,500,336</u>	<u>9,691,597</u>
General Revenues						
Property Taxes	1,060,413	1,118,416	0	0	1,060,413	1,118,416
Municipal Income Taxes	3,699,369	4,129,225	0	0	3,699,369	4,129,225
Local Permissive Taxes	185,045	179,363	0	0	185,045	179,363
Grants and Entitlements not Restricted to Specific Programs	183,781	275,378	0	0	183,781	275,378
Interest	3,514	2,264	0	0	3,514	2,264
Miscellaneous	127,390	135,276	110,798	19,026	238,188	154,302
<i>Total General Revenues</i>	<u>5,259,512</u>	<u>5,839,922</u>	<u>110,798</u>	<u>19,026</u>	<u>5,370,310</u>	<u>5,858,948</u>
<i>Total Revenues</i>	<u>7,805,955</u>	<u>8,926,338</u>	<u>6,064,691</u>	<u>6,624,207</u>	<u>13,870,646</u>	<u>15,550,545</u>
Program Expenses						
General Government	2,478,316	2,180,429	0	0	2,478,316	2,180,429
Security of Persons and Property	3,390,207	3,696,741	0	0	3,390,207	3,696,741
Public Health Services	328,096	255,053	0	0	328,096	255,053
Transportation	2,214,162	2,069,220	0	0	2,214,162	2,069,220
Community Development	755,727	1,004,763	0	0	755,727	1,004,763
Basic Utility Services	506,691	505,629	0	0	506,691	505,629
Leisure Time Activities	234,013	290,202	0	0	234,013	290,202
Interest and Fiscal Charges	100,160	110,508	0	0	100,160	110,508
Water	0	0	3,667,998	3,361,563	3,667,998	3,361,563
Sewer	0	0	2,099,681	1,936,837	2,099,681	1,936,837
<i>Total Program Expenses</i>	<u>10,007,372</u>	<u>10,112,545</u>	<u>5,767,679</u>	<u>5,298,400</u>	<u>15,775,051</u>	<u>15,410,945</u>
<i>Change in Net Position</i>	<u>(2,201,417)</u>	<u>(1,186,207)</u>	<u>297,012</u>	<u>1,325,807</u>	<u>(1,904,405)</u>	<u>139,600</u>
Net Position Beginning of the Year	20,896,477	N/A	10,688,892	N/A	31,585,369	N/A
Net Position End of the Year	<u>\$18,695,060</u>	<u>\$20,896,477</u>	<u>\$10,985,904</u>	<u>\$10,688,892</u>	<u>\$29,680,964</u>	<u>\$31,585,369</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$657,070 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$698,651. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

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	Governmental Activities	Business-type Activities	Total
Total 2015 program expenses under GASB 68	\$10,007,372	\$5,767,679	\$15,775,051
Pension expense under GASB 68	(575,543)	(123,108)	(698,651)
2015 contractually required contribution	547,444	138,708	686,152
Adjusted 2015 program expenses	9,979,273	5,783,279	15,762,552
Total 2014 program expenses under GASB 27	10,112,545	5,298,400	15,410,945
Increase (Decrease) in program expenses not related to pension	(\$133,272)	\$484,879	\$351,607

Governmental Activities

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. The revenue collected from the income tax, less funds necessary to pay the administrative fees for the Regional Income Tax Agency (RITA) and to cover refunds, are receipted into the following funds: 88.07 percent went to the general fund (January through December), 9.75 percent went to the general obligation bond retirement fund (January through December), 0.5 percent went to the garbage fund (January through December), 1.6 percent went to the recreation fund (January through December) and 0.08 percent went to the capital improvement fund (January through December).

Charges for services decreased in the governmental activities primarily as a result of decreased revenue from fees, licenses and permits as well as fines and forfeitures. The decrease in governmental activities operating grants and contributions resulted from the City receiving \$550,000 in CHIP grant monies in the prior year. Property taxes decreased due to a decrease in assessed valuation.

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

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

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

Business-Type Activities

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated operating revenues of \$3,980,648 from water and \$1,913,245 from the sewer plant facility. Water and sewer expenses including interest and fiscal charges for 2015 amounted to \$3,667,998 and \$2,099,681, respectively. For 2015, 6,200 water customers and 4,100 sewer customers were serviced. Approximately 45 million gallons are billed and processed on a monthly basis.

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The City's Funds

Information about the City's governmental funds begins with the balance sheet. The funds are accounted for using the modified accrual method of accounting. The general fund balance decreased mainly as a result of decreases in income tax and local government revenues as expenditures continued to exceed revenues.

During 2015, the garbage special revenue fund balance decreased as a result of a drop in property tax, homestead and rollback and income tax revenues. The CHIPS special revenue fund balance decreased during 2015 due to the timing of community development expenditures versus grant requests. The street construction maintenance and repair special revenue fund balance decreased as a result of higher street maintenance expenditures during the year. The fire levy special revenue fund balance increased during 2015 as a result of a drop in expenditures.

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 \$5,893,893 and total operating expenses of \$5,707,173. 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 2015, actual revenues for the general fund were lower than final estimated revenues due mainly to lower income tax revenues and fines and forfeitures. The City's actual expenditures were higher than final appropriations due to higher than anticipated personal service costs.

Capital Assets and Debt Administration

Capital Assets

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

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

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$1,114,360	\$1,073,640	\$4,187,169	\$4,187,169	\$5,301,529	\$5,260,809
Buildings and Improvement:	6,612,665	6,698,498	5,613,284	5,735,972	12,225,949	12,434,470
Furniture and Equipment	139,824	151,051	1,525,729	1,615,249	1,665,553	1,766,300
Vehicles	1,311,277	1,432,035	60,399	67,789	1,371,676	1,499,824
Infrastructure						
Streets	11,609,200	12,660,309	0	0	11,609,200	12,660,309
Sidewalks	2,836,627	3,094,502	0	0	2,836,627	3,094,502
Curbs	448,501	489,274	0	0	448,501	489,274
Water and Sewer Lines	0	0	276,069	296,251	276,069	296,251
Total Capital Assets	\$24,072,454	\$25,599,309	\$11,662,650	\$11,902,430	\$35,735,104	\$37,501,739

Long-term Obligations

The long-term obligations include notes payable, special obligation bonds, OPWC and OWDA loans, capital leases, 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	
	2015	2014	2015	2014	2015	2014
Notes Payable	\$2,529,452	\$2,810,502	\$0	\$0	\$2,529,452	\$2,810,502
Special Obligation Bonds	0	0	1,019,803	1,336,884	1,019,803	1,336,884
OPWC Loan	34,379	42,974	0	0	34,379	42,974
OWDA Loans	0	0	187,678	517,073	187,678	517,073
Capital Leases	34,524	101,610	0	0	34,524	101,610
Compensated Absences	748,960	798,707	238,539	230,314	987,499	1,029,021
Police and Fire Pension	225,727	233,097	0	0	225,727	233,097
Net Pension Liability	5,747,362	5,452,845	1,131,814	1,106,251	6,879,176	6,559,096
Total	\$9,320,404	\$9,439,735	\$2,577,834	\$3,190,522	\$11,898,238	\$12,630,257

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

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

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

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

City of Girard
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

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

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

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

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 \$7,930,269 on December 31, 2015. For more information about the City's long-term obligations, see Notes 11 and 12 to the basic financial statements.

Current Financial Issues

The Administration provided strong fiscal management, holding general operating expenses in check while maintaining City services at a high level in 2015 but a drop in income tax revenues as well as revenues from Federal and State sources 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.

City of Girard, Ohio
Statement of Net Position
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$654,589	\$185,329	\$839,918
Accounts Receivable	683	1,928,011	1,928,694
Internal Balances	317,305	(317,305)	0
Intergovernmental Receivable	862,409	0	862,409
Property Taxes Receivable	1,376,788	0	1,376,788
Income Taxes Receivable	1,452,000	0	1,452,000
Local Permissive Taxes Receivable	76,272	0	76,272
Special Assessments Receivable	4,233	59,339	63,572
Loans Receivable	78,240	0	78,240
Prepaid Items	21,626	27,358	48,984
Nondepreciable Capital Assets	1,114,360	4,187,169	5,301,529
Depreciable Capital Assets, Net	22,958,094	7,475,481	30,433,575
<i>Total Assets</i>	<u>28,916,599</u>	<u>13,545,382</u>	<u>42,461,981</u>
Deferred Outflows of Resources			
Pension	808,779	199,098	1,007,877
Liabilities			
Accounts Payable	46,005	25,698	71,703
Contracts Payable	74,502	16,703	91,205
Accrued Wages	112,499	34,948	147,447
Intergovernmental Payable	223,169	66,252	289,421
Accrued Interest Payable	1,538	17,257	18,795
Claims Payable	135,643	0	135,643
Long-Term Liabilities:			
Due Within One Year	2,876,365	525,467	3,401,832
Due In More Than One Year:			
Net Pension Liability (See Note 14)	5,747,362	1,131,814	6,879,176
Other Amounts	696,677	920,553	1,617,230
<i>Total Liabilities</i>	<u>9,913,760</u>	<u>2,738,692</u>	<u>12,652,452</u>
Deferred Inflows of Resources			
Property Taxes	1,093,216	0	1,093,216
Pension	23,342	19,884	43,226
<i>Total Deferred Inflows of Resources</i>	<u>1,116,558</u>	<u>19,884</u>	<u>1,136,442</u>
Net Position			
Net Investment in Capital Assets	21,474,099	10,455,169	31,929,268
Restricted for:			
Capital Projects	443,728	0	443,728
Debt Service	192,699	0	192,699
State Highway Maintenance	72,315	0	72,315
Street Resurfacing and Traffic Lights	83,116	0	83,116
Garbage Collection	155,105	0	155,105
Other Purposes	1,304,494	0	1,304,494
Unrestricted (Deficit)	(5,030,496)	530,735	(4,499,761)
<i>Total Net Position</i>	<u>\$18,695,060</u>	<u>\$10,985,904</u>	<u>\$29,680,964</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Activities
For the Year Ended December 31, 2015

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$2,478,316	\$577,884	\$0	\$115,421
Security of Persons and Property	3,390,207	408,011	58,127	0
Public Health Services	328,096	95,589	3,292	0
Transportation	2,214,162	3,544	933,459	0
Community Development	755,727	233,885	7,834	0
Basic Utility Services	506,691	0	68,769	0
Leisure Time Activities	234,013	11,056	29,572	0
Interest and Fiscal Charges	100,160	0	0	0
<i>Total Governmental Activities</i>	<u>10,007,372</u>	<u>1,329,969</u>	<u>1,101,053</u>	<u>115,421</u>
Business-Type Activities:				
Water	3,667,998	3,980,648	0	0
Sewer	2,099,681	1,913,245	0	60,000
<i>Total Business-Type Activities</i>	<u>5,767,679</u>	<u>5,893,893</u>	<u>0</u>	<u>60,000</u>
<i>Total</i>	<u>\$15,775,051</u>	<u>\$7,223,862</u>	<u>\$1,101,053</u>	<u>\$175,421</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 - Restated (See Note 19)*

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
(\$1,785,011)	\$0	(\$1,785,011)
(2,924,069)	0	(2,924,069)
(229,215)	0	(229,215)
(1,277,159)	0	(1,277,159)
(514,008)	0	(514,008)
(437,922)	0	(437,922)
(193,385)	0	(193,385)
(100,160)	0	(100,160)
(7,460,929)	0	(7,460,929)
0	312,650	312,650
0	(126,436)	(126,436)
0	186,214	186,214
(7,460,929)	186,214	(7,274,715)
202,945	0	202,945
361,945	0	361,945
290,173	0	290,173
27,009	0	27,009
17,833	0	17,833
160,508	0	160,508
3,319,248	0	3,319,248
347,505	0	347,505
2,843	0	2,843
29,773	0	29,773
185,045	0	185,045
183,781	0	183,781
3,514	0	3,514
127,390	110,798	238,188
5,259,512	110,798	5,370,310
(2,201,417)	297,012	(1,904,405)
20,896,477	10,688,892	31,585,369
<u>\$18,695,060</u>	<u>\$10,985,904</u>	<u>\$29,680,964</u>

City of Girard, Ohio

Balance Sheet

Governmental Funds

December 31, 2015

	General	Garbage	CHIPS	Street Construction Maintenance and Repair	Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$0	\$46,851	\$299	\$14,958	\$14,087	\$578,394	\$654,589
Receivables:							
Property Taxes	263,418	471,140	0	0	341,127	301,103	1,376,788
Income Taxes	1,298,088	18,876	0	0	0	135,036	1,452,000
Local Permissive Taxes	0	0	0	0	0	76,272	76,272
Accounts	683	0	0	0	0	0	683
Intergovernmental	110,134	33,348	376,100	241,102	25,918	75,807	862,409
Special Assessments	4,233	0	0	0	0	0	4,233
Interfund Receivable	0	0	0	278,055	0	210,000	488,055
Prepaid Items	18,376	0	0	1,750	0	1,500	21,626
Loans Receivable	0	0	0	0	0	78,240	78,240
<i>Total Assets</i>	<u>\$1,694,932</u>	<u>\$570,215</u>	<u>\$376,399</u>	<u>\$535,865</u>	<u>\$381,132</u>	<u>\$1,456,352</u>	<u>\$5,014,895</u>
Liabilities							
Accounts Payable	\$31,808	\$0	\$0	\$12,642	\$0	\$1,555	\$46,005
Contracts Payable	19,478	41,009	0	14,015	0	0	74,502
Accrued Wages	101,112	0	0	7,316	0	4,071	112,499
Intergovernmental Payable	191,533	0	0	12,481	17,080	2,075	223,169
Interfund Payable	294,371	0	0	11,852	0	0	306,223
<i>Total Liabilities</i>	<u>638,302</u>	<u>41,009</u>	<u>0</u>	<u>58,306</u>	<u>17,080</u>	<u>7,701</u>	<u>762,398</u>
Deferred Inflows of Resources							
Property Taxes	209,163	374,101	0	0	270,866	239,086	1,093,216
Unavailable Revenue	1,221,683	146,268	376,100	202,100	96,179	276,008	2,318,338
<i>Total Deferred Inflows of Resources</i>	<u>1,430,846</u>	<u>520,369</u>	<u>376,100</u>	<u>202,100</u>	<u>367,045</u>	<u>515,094</u>	<u>3,411,554</u>
Fund Balances							
Nonspendable	50,390	0	0	1,750	0	1,500	53,640
Restricted	3,667	8,837	299	273,709	0	932,057	1,218,569
Unassigned (Deficit)	(428,273)	0	0	0	(2,993)	0	(431,266)
<i>Total Fund Balances (Deficit)</i>	<u>(374,216)</u>	<u>8,837</u>	<u>299</u>	<u>275,459</u>	<u>(2,993)</u>	<u>933,557</u>	<u>840,943</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$1,694,932</u>	<u>\$570,215</u>	<u>\$376,399</u>	<u>\$535,865</u>	<u>\$381,132</u>	<u>\$1,456,352</u>	<u>\$5,014,895</u>

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, 2015*

Total Governmental Fund Balances	\$840,943
 <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.	24,072,454
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	283,572
Income Taxes	1,221,624
Local Permissive Taxes	61,601
Intergovernmental	747,308
Special Assessments	<u>4,233</u>
Total	2,318,338
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.	(170)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,538)
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	808,779
Deferred Inflows - Pension	(23,342)
Net Pension Liability	<u>(5,747,362)</u>
Total	(4,961,925)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes Payable	(2,529,452)
OPWC Loans Payable	(34,379)
Capital Leases	(34,524)
Compensated Absences	(748,960)
Police and Fire Pension Loan	<u>(225,727)</u>
Total	<u>(3,573,042)</u>
 <i>Net Position of Governmental Activities</i>	 <u><u>\$18,695,060</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, 2015

	General	Garbage	CHIPS	Street Construction Maintenance and Repair	Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues							
Property Taxes	\$204,718	\$364,769	\$0	\$0	\$265,396	\$234,876	\$1,069,759
Municipal Income Taxes	3,395,683	20,167	0	0	0	359,121	3,774,971
Local Permissive Taxes	0	0	0	0	0	181,069	181,069
Special Assessments	9,106	0	0	0	0	0	9,106
Charges for Services	0	0	0	0	0	48,931	48,931
Fees, Licenses and Permits	216,485	0	0	0	0	0	216,485
Fines and Forfeitures	555,472	0	0	0	0	501,299	1,056,771
Intergovernmental	192,597	69,433	177,375	891,435	50,706	206,896	1,588,442
Interest	77	0	0	0	0	3,437	3,514
Rentals	7,782	0	0	0	0	0	7,782
Contributions and Donations	0	0	0	0	0	1,783	1,783
Other	125,303	0	0	1,898	0	189	127,390
<i>Total Revenues</i>	<u>4,707,223</u>	<u>454,369</u>	<u>177,375</u>	<u>893,333</u>	<u>316,102</u>	<u>1,537,601</u>	<u>8,086,003</u>
Expenditures							
Current:							
General Government	2,164,243	0	0	0	0	1,640	2,165,883
Security of Persons and Property	2,855,805	0	0	0	285,657	53,521	3,194,983
Public Health Services	234,546	0	0	0	0	137,811	372,357
Transportation	24,915	0	0	948,648	0	153,259	1,126,822
Community Development	0	0	201,559	0	0	255,520	457,079
Basic Utility Services	0	499,533	0	0	0	0	499,533
Leisure Time Activities	44,999	0	0	0	0	191,566	236,565
Capital Outlay	0	0	0	0	0	348,613	348,613
Debt Service:							
Principal Retirement	0	0	0	8,595	0	355,506	364,101
Interest and Fiscal Charges	0	0	0	0	0	100,465	100,465
<i>Total Expenditures</i>	<u>5,324,508</u>	<u>499,533</u>	<u>201,559</u>	<u>957,243</u>	<u>285,657</u>	<u>1,597,901</u>	<u>8,866,401</u>
<i>Net Change in Fund Balances</i>	(617,285)	(45,164)	(24,184)	(63,910)	30,445	(60,300)	(780,398)
<i>Fund Balances (Deficit)</i>							
<i>Beginning of Year</i>	<u>243,069</u>	<u>54,001</u>	<u>24,483</u>	<u>339,369</u>	<u>(33,438)</u>	<u>993,857</u>	<u>1,621,341</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$374,216)</u>	<u>\$8,837</u>	<u>\$299</u>	<u>\$275,459</u>	<u>(\$2,993)</u>	<u>\$933,557</u>	<u>\$840,943</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, 2015*

Net Change in Fund Balances - Total Governmental Funds (\$780,398)

*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	48,319
Depreciation	<u>(1,575,174)</u>

Total (1,526,855)

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

Delinquent Property Taxes	(9,346)
Income Taxes	(75,602)
Local Permissive Taxes	3,976
Intergovernmental	(189,970)
Special Assessments	<u>(9,106)</u>

Total (280,048)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 547,444

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (575,543)

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. 364,101

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 305

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. 49,747

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. (170)

Change in Net Position of Governmental Activities (\$2,201,417)

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$207,898	\$213,437	\$204,718	(\$8,719)
Municipal Income Taxes	3,427,324	3,529,818	3,386,137	(143,681)
Fees, Licenses and Permits	184,637	188,596	182,913	(5,683)
Fines and Forfeitures	669,658	687,498	549,415	(138,083)
Intergovernmental	194,756	199,944	191,777	(8,167)
Interest	84	87	83	(4)
Rentals	7,698	7,903	7,580	(323)
Other	98,738	99,344	114,280	14,936
<i>Total Revenues</i>	4,790,793	4,926,627	4,636,903	(289,724)
Expenditures				
Current:				
General Government	1,969,508	1,969,508	2,167,751	(198,243)
Security of Persons and Property	2,845,142	2,845,142	2,865,361	(20,219)
Public Health Services	140,390	140,390	135,048	5,342
Transportation	19,460	19,460	24,888	(5,428)
<i>Total Expenditures</i>	4,974,500	4,974,500	5,193,048	(218,548)
<i>Net Change in Fund Balance</i>	(183,707)	(47,873)	(556,145)	(508,272)
<i>Fund Balance Beginning of Year</i>	224,005	224,005	224,005	0
Prior Year Encumbrances Appropriated	4,243	4,243	4,243	0
<i>Fund Balance (Deficit) End of Year</i>	\$44,541	\$180,375	(\$327,897)	(\$508,272)

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, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$372,640	\$379,290	\$364,769	(\$14,521)
Municipal Income Taxes	19,966	19,966	18,386	(1,580)
Intergovernmental	63,200	63,200	69,433	6,233
<i>Total Revenues</i>	455,806	462,456	452,588	(9,868)
Expenditures				
Current:				
Basic Utility Services	504,400	504,400	500,019	4,381
<i>Net Change in Fund Balance</i>	(48,594)	(41,944)	(47,431)	(5,487)
<i>Fund Balance Beginning of Year</i>	52,385	52,385	52,385	0
<i>Fund Balance End of Year</i>	<u>\$3,791</u>	<u>\$10,441</u>	<u>\$4,954</u>	<u>(\$5,487)</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIPS Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$400,000	\$400,000	\$176,385	(\$223,615)
Expenditures				
Current:				
Community Development	400,000	400,000	241,568	158,432
<i>Net Change in Fund Balance</i>	0	0	(65,183)	(65,183)
<i>Fund Balance Beginning of Year</i>	61,912	61,912	61,912	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$61,912</u>	<u>\$61,912</u>	<u>(\$3,271)</u>	<u>(\$65,183)</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, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$838,000	\$838,000	\$892,694	\$54,694
Other	1,000	1,000	1,898	898
<i>Total Revenues</i>	<u>839,000</u>	<u>839,000</u>	<u>894,592</u>	<u>55,592</u>
Expenditures				
Current:				
Transportation	774,152	774,152	958,542	(184,390)
Debt Service:				
Principal Retirement	8,595	8,595	8,595	0
<i>Total Expenditures</i>	<u>782,747</u>	<u>782,747</u>	<u>967,137</u>	<u>(184,390)</u>
<i>Net Change in Fund Balance</i>	56,253	56,253	(72,545)	(128,798)
<i>Fund Balance Beginning of Year</i>	<u>323,737</u>	<u>323,737</u>	<u>323,737</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$379,990</u></u>	<u><u>\$379,990</u></u>	<u><u>\$251,192</u></u>	<u><u>(\$128,798)</u></u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire Levy Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$270,039	\$281,629	\$265,396	(\$16,233)
Intergovernmental	51,593	53,807	50,706	(3,101)
<i>Total Revenues</i>	321,632	335,436	316,102	(19,334)
Expenditures				
Current:				
Security of Persons and Property	305,276	305,276	285,660	19,616
<i>Net Change in Fund Balance</i>	16,356	30,160	30,442	282
<i>Fund Balance (Deficit) Beginning of Year</i>	(16,355)	(16,355)	(16,355)	0
<i>Fund Balance End of Year</i>	<u>\$1</u>	<u>\$13,805</u>	<u>\$14,087</u>	<u>\$282</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

	Enterprise			Internal Service
	Water	Sewer	Total	
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$0	\$185,329	\$185,329	\$0
Accounts Receivable	1,327,778	600,233	1,928,011	0
Special Assessments Receivable	20,412	38,927	59,339	0
Prepaid Items	10,500	16,858	27,358	0
Interfund Receivable	0	0	0	135,643
<i>Total Current Assets</i>	<u>1,358,690</u>	<u>841,347</u>	<u>2,200,037</u>	<u>135,643</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	2,902,304	4,573,177	7,475,481	0
<i>Total Noncurrent Assets</i>	<u>4,589,473</u>	<u>7,073,177</u>	<u>11,662,650</u>	<u>0</u>
<i>Total Assets</i>	<u>5,948,163</u>	<u>7,914,524</u>	<u>13,862,687</u>	<u>135,643</u>
Deferred Outflows of Resources				
Pension	86,564	112,534	199,098	0
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	8,479	17,219	25,698	0
Contracts Payable	4,313	12,390	16,703	0
Accrued Wages	14,631	20,317	34,948	0
Intergovernmental Payable	37,151	29,101	66,252	0
Interfund Payable	289,613	27,692	317,305	170
Accrued Interest Payable	12,248	5,009	17,257	0
Compensated Absences Payable	26,494	55,109	81,603	0
Revenue Bonds Payable	239,617	88,626	328,243	0
OWDA Loans Payable	73,593	42,028	115,621	0
Claims Payable	0	0	0	135,643
<i>Total Current Liabilities</i>	<u>706,139</u>	<u>297,491</u>	<u>1,003,630</u>	<u>135,813</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	47,208	109,728	156,936	0
Revenue Bonds Payable (net of current portion)	504,839	186,721	691,560	0
OWDA Loans Payable	50,148	21,909	72,057	0
Net Pension Liability	492,093	639,721	1,131,814	0
<i>Total Long-Term Liabilities</i>	<u>1,094,288</u>	<u>958,079</u>	<u>2,052,367</u>	<u>0</u>
<i>Total Liabilities</i>	<u>1,800,427</u>	<u>1,255,570</u>	<u>3,055,997</u>	<u>135,813</u>
Deferred Inflows of Resources				
Pension	8,645	11,239	19,884	0
Net Position				
Net Investment in Capital Assets	3,721,276	6,733,893	10,455,169	0
Unrestricted (Deficit)	504,379	26,356	530,735	(170)
<i>Total Net Position</i>	<u>\$4,225,655</u>	<u>\$6,760,249</u>	<u>\$10,985,904</u>	<u>(\$170)</u>

See accompanying notes to the basic financial statements - 27 -

City of Girard, Ohio
*Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015*

	Enterprise			Internal Service
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	\$3,980,554	\$1,887,129	\$5,867,683	\$1,567,579
Special Assessments	94	26,116	26,210	0
<i>Total Operating Revenues</i>	<u>3,980,648</u>	<u>1,913,245</u>	<u>5,893,893</u>	<u>1,567,579</u>
Operating Expenses				
Personal Services	835,183	1,104,799	1,939,982	0
Materials and Supplies	486,679	314,396	801,075	0
Contractual Services	2,147,614	481,893	2,629,507	317,425
Depreciation	72,969	166,811	239,780	0
Claims	0	0	0	1,250,324
Other	80,091	16,738	96,829	0
<i>Total Operating Expenses</i>	<u>3,622,536</u>	<u>2,084,637</u>	<u>5,707,173</u>	<u>1,567,749</u>
<i>Operating Income (Loss)</i>	<u>358,112</u>	<u>(171,392)</u>	<u>186,720</u>	<u>(170)</u>
Non-Operating Revenues (Expenses)				
Interest and Fiscal Charges	(45,462)	(15,044)	(60,506)	0
Other Non-Operating Revenues	93,436	17,362	110,798	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>47,974</u>	<u>2,318</u>	<u>50,292</u>	<u>0</u>
<i>Income (Loss) before Capital Contributions</i>	406,086	(169,074)	237,012	(170)
Capital Contributions	0	60,000	60,000	0
<i>Change in Net Position</i>	406,086	(109,074)	297,012	(170)
<i>Net Position Beginning of Year - Restated (See Note 19)</i>	<u>3,819,569</u>	<u>6,869,323</u>	<u>10,688,892</u>	<u>0</u>
<i>Net Position (Deficit) End of Year</i>	<u>\$4,225,655</u>	<u>\$6,760,249</u>	<u>\$10,985,904</u>	<u>(\$170)</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, 2015

	Enterprise			Internal Service
	Water	Sewer	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	\$4,011,103	\$1,898,029	\$5,909,132	\$0
Cash Received from Interfund Services Provided	0	0	0	1,521,694
Cash Payments to Employees for Services	(822,568)	(1,086,342)	(1,908,910)	0
Cash Payments for Goods and Services	(2,627,700)	(834,493)	(3,462,193)	(317,425)
Cash Payments for Claims	0	0	0	(1,206,104)
Other Cash Payments	(80,091)	(16,738)	(96,829)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>480,744</u>	<u>(39,544)</u>	<u>441,200</u>	<u>(1,835)</u>
Cash Flows from Noncapital Financing Activities				
Financing Activities				
Non-Operating Revenues Received	93,436	17,362	110,798	0
Cash received from Other Funds	243,364	0	243,364	170
Cash used in Repayment of Interfund Loans	(238,865)	0	(238,865)	0
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>97,935</u>	<u>17,362</u>	<u>115,297</u>	<u>170</u>
Cash Flows from Capital and Related Financing Activities				
Capital Contributions	0	60,000	60,000	0
Principal Paid on OWDA Loans	(289,645)	(39,750)	(329,395)	0
Principal Paid on Revenue Bonds	(231,469)	(85,612)	(317,081)	0
Interest Paid on OWDA Loans	(25,507)	(5,306)	(30,813)	0
Interest Paid on Revenue Bonds	(32,058)	(11,857)	(43,915)	0
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(578,679)</u>	<u>(82,525)</u>	<u>(661,204)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	0	(104,707)	(104,707)	(1,665)
<i>Cash and Cash Equivalents Beginning of Year</i>	0	290,036	290,036	1,665
<i>Cash and Cash Equivalents End of Year</i>	<u>\$0</u>	<u>\$185,329</u>	<u>\$185,329</u>	<u>\$0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$358,112	(\$171,392)	\$186,720	(\$170)
Adjustments:				
Depreciation	72,969	166,811	239,780	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	30,549	10,900	41,449	0
Special Assessments Receivable	(94)	(26,116)	(26,210)	0
Prepaid Items	0	(1,747)	(1,747)	0
Interfund Receivable	0	0	0	(45,885)
(Increase) Decrease in Deferred Outflows - Pension	6,278	8,162	14,440	0
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	2,734	(6,992)	(4,258)	0
Contracts Payable	(11,651)	(27,850)	(39,501)	0
Accrued Wages	(670)	3,113	2,443	0
Compensated Absences Payable	(4,757)	12,982	8,225	0
Intergovernmental Payable	6,781	(551)	6,230	0
Interfund Payable	33,554	10,115	43,669	0
Net Pension Liability	(9,072)	(11,793)	(20,865)	0
(Increase) Decrease in Deferred Inflows - Pension	(3,989)	(5,186)	(9,175)	0
Claims Payable	0	0	0	44,220
<i>Total Adjustments</i>	<u>122,632</u>	<u>131,848</u>	<u>254,480</u>	<u>(1,665)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$480,744</u>	<u>(\$39,544)</u>	<u>\$441,200</u>	<u>(\$1,835)</u>

See accompanying notes to the basic financial statements

City of Girard, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Private Purpose Trust	
	Memorial	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,817	\$0
Cash and Cash Equivalents in Segregated Accounts	0	34,354
<i>Total Assets</i>	1,817	\$34,354
Liabilities		
Undistributed Monies	0	\$34,354
Net Position		
Held in Trust for Endowment	\$1,817	

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, 2015

	Private Purpose Trust
	Memorial
Additions	\$0
Deductions	
Materials and Supplies	296
<i>Change in Net Position</i>	(296)
<i>Net Position Beginning of Year</i>	2,113
<i>Net Position End of Year</i>	\$1,817

See accompanying notes to the basic financial statements

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Note 1 – Description of the City and Reporting Entity

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

Reporting Entity

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

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

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

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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

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

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

Fund Accounting

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

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

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

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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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

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

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

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

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

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

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

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

Fiduciary Funds

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

Measurement Focus

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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.

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

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

Basis of Accounting

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

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

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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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 14.

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, 2015, but which were levied to finance 2016 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 14).

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 2015, investments were limited to a money market mutual fund reported at cost.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amount to \$77, 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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, 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 fair market values as of the date received. The City maintains a capitalization threshold of \$1,000 with the exception of land as land was included regardless of cost. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

For 2015, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution, as both are equally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution, as both are equally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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

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

Net Position

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

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

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Estimates

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

Budgetary Process

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

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

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

Note 3 – Compliance and Accountability

Compliance

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

Fund/Function	Object	Appropriations	Expenditures Plus Encumbrances	Variance
General Fund				
General Government	Personal Services	\$1,200,360	\$1,401,308	(\$200,948)
General Government	Materials and Supplies	357,225	416,819	(59,594)
General Government	Contractual Services	190,240	193,453	(3,213)
General Government	Other	221,683	156,171	65,512
<i>Sub-total for General Government</i>		<u>1,969,508</u>	<u>2,167,751</u>	<u>(198,243)</u>
Security of Persons and Property	Personal Services	2,520,992	2,553,639	(32,647)
Security of Persons and Property	Materials and Supplies	182,850	183,454	(604)
Security of Persons and Property	Contractual Services	141,300	128,268	13,032
<i>Sub-total for Security of Persons and Property</i>		<u>2,845,142</u>	<u>2,865,361</u>	<u>(20,219)</u>
Transportation	Personal Services	14,460	24,888	(10,428)
Transportation	Materials and Supplies	5,000	0	5,000
<i>Sub-total for Transportation</i>		<u>\$19,460</u>	<u>\$24,888</u>	<u>(\$5,428)</u>

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Fund/Function	Object	Appropriations	Expenditures Plus Encumbrances	Variance
Street Construction, Maintenance and Repair				
Transportation	Personal Services	\$468,847	\$452,585	\$16,262
Transportation	Materials and Supplies	305,305	505,957	(200,652)
<i>Total Street Construction, Maintenance and Repair</i>		<u>\$774,152</u>	<u>\$958,542</u>	<u>(\$184,390)</u>

The City had negative cash balances of \$244,521, \$243,364 and \$170 in the general fund, water fund and the hospitalization internal service 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, 2015, include the following individual fund deficits:

	<u>Deficit Fund Balances</u>
<i>Major Funds:</i>	
General	\$374,216
Fire Levy	2,993
<i>Internal Service Fund:</i>	
Hospitalization	170

The deficits in the general fund and fire levy special revenue fund are caused by the recognition of expenditures on the modified accrual basis of accounting.

The deficit in the internal service fund resulted because the City expended more than they received in revenue.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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	CHIPS	Street Construction Maintenance and Repair	Fire Levy
GAAP Basis	(\$617,285)	(\$45,164)	(\$24,184)	(\$63,910)	\$30,445
Net Adjustment for Revenue Accruals	45,649	(1,781)	(990)	1,259	0
Beginning Unrecorded Cash	1,632	402	(37,429)	34,332	0
Ending Unrecorded Cash	107	0	0	0	0
Perspective Difference:					
Health	1,504	0	0	0	0
Recreation	58,354	0	0	0	0
Net Adjustment for Expenditures Accruals	37,490	41,009	(2,580)	(2,405)	(3)
Encumbrances	(83,596)	(41,897)	0	(41,821)	0
Budget Basis	<u>(\$556,145)</u>	<u>(\$47,431)</u>	<u>(\$65,183)</u>	<u>(\$72,545)</u>	<u>\$30,442</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 deposits determined to be necessary to meet current demands upon the City treasury. Active deposits must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

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

Deposits

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$698,890 of the City's bank balance of \$1,305,251 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.

City of Girard, Ohio
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For The Year Ended December 31, 2015

Investments

Investments are reported at fair value. As of December 31, 2015, the City's only investment was a money market mutual fund with a fair value of \$86,153.

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:

Fund Balances	General	Garbage	CHIPS	Street Construction Maintenance and Repair	Fire Levy	Other Governmental Funds	Total
<i>Nonspendable</i>							
Prepays	\$18,376	\$0	\$0	\$1,750	\$0	\$1,500	\$21,626
Unclaimed Monies	32,014	0	0	0	0	0	32,014
<i>Total Nonspendable</i>	50,390	0	0	1,750	0	1,500	53,640
<i>Restricted for</i>							
General Government	0	0	0	0	0	64,050	64,050
Public Safety	3,662	0	0	0	0	25,799	29,461
Police Pension	0	0	0	0	0	1,112	1,112
Fire Pension	0	0	0	0	0	1,125	1,125
Senior Activities	0	0	0	0	0	2,333	2,333
Street Maintenance	0	0	0	273,709	0	78,414	352,123
Garbage Disposal	0	8,837	0	0	0	0	8,837
Landfill	5	0	0	0	0	0	5
Public Health and Welfare	0	0	0	0	0	32,868	32,868
Community Development	0	0	299	0	0	202,791	203,090
Debt Service	0	0	0	0	0	79,837	79,837
Capital Improvements	0	0	0	0	0	443,728	443,728
<i>Total Restricted</i>	3,667	8,837	299	273,709	0	932,057	1,218,569
<i>Unassigned (Deficit)</i>	(428,273)	0	0	0	(2,993)	0	(431,266)
<i>Total Fund Balances</i>	(\$374,216)	\$8,837	\$299	\$275,459	(\$2,993)	\$933,557	\$840,943

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Note 7 - Receivables

Receivables at December 31, 2015, 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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 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. 2014 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$13.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	
Residential/Agricultural	\$84,155,290
Other Real Estate	20,039,050
Tangible Personal Property	
Public Utility	4,701,530
Total Assessed Values	<u><u>\$108,895,870</u></u>

City of Girard, Ohio
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For The Year Ended December 31, 2015

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, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 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: 89.67 percent went to the general fund (January through December), 9.75 percent went to the general obligation bond retirement fund (January through December), 0.5 percent went to the garbage fund (January through December) and 0.08 percent went to the capital improvement fund (January through December).

Intergovernmental Receivables

A summary of intergovernmental receivables follows:

	Amounts
Governmental Activities	
CHIPS Grant	\$376,100
Gasoline and Municipal Cents per Gallon	205,332
Homestead and Rollback	101,483
Municipal Court	62,389
Local Government	61,857
Motor Vehicle License Tax	55,248
Total	\$862,409

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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, 2015.

Note 10 - Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
Business Type Activities:				
<i>Capital Assets not being Depreciated:</i>				
Land	\$4,187,169	\$0	\$0	\$4,187,169
<i>Capital Assets being Depreciated:</i>				
Buildings	7,028,774	0	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	2,060,990	0	0	2,060,990
Vehicles	345,308	0	0	345,308
Infrastructure	1,009,147	0	0	1,009,147
Total Capital Assets being Depreciated	13,984,219	0	0	13,984,219
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,282,196)	(63,898)	0	(2,346,094)
Building Improvements	(2,550,606)	(58,790)	0	(2,609,396)
Furniture and Equipment	(445,741)	(89,520)	0	(535,261)
Vehicles	(277,519)	(7,390)	0	(284,909)
Infrastructure	(712,896)	(20,182)	0	(733,078)
Total Accumulated Depreciation	(6,268,958)	(239,780)	0	(6,508,738)
Total Capital Assets being Depreciated, Net	7,715,261	(239,780)	0	7,475,481
Business Type Activities Capital Assets, Net	\$11,902,430	(\$239,780)	\$0	\$11,662,650

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Governmental Activities	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<i>Capital Assets not being Depreciated:</i>				
Land	\$1,073,640	\$40,720	\$0	\$1,114,360
<i>Capital Assets being Depreciated:</i>				
Buildings	9,075,756	0	0	9,075,756
Building Improvements	168,295	0	0	168,295
Furniture and Equipment	1,705,823	7,599	0	1,713,422
Vehicles	2,099,343	0	0	2,099,343
Infrastructure:				
Streets	52,555,453	0	0	52,555,453
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
Total Capital Assets being Depreciated	80,537,070	7,599	0	80,544,669
<i>Less Accumulated Depreciation:</i>				
Buildings	(2,439,688)	(81,584)	0	(2,521,272)
Building Improvements	(105,865)	(4,249)	0	(110,114)
Furniture and Equipment	(1,554,772)	(18,826)	0	(1,573,598)
Vehicles	(667,308)	(120,758)	0	(788,066)
Infrastructure:				
Streets	(39,895,144)	(1,051,109)	0	(40,946,253)
Sidewalks	(9,799,258)	(257,875)	0	(10,057,133)
Curbs	(1,549,366)	(40,773)	0	(1,590,139)
Total Accumulated Depreciation	(56,011,401)	(1,575,174) *	0	(57,586,575)
Total Capital Assets being Depreciated, Net	24,525,669	(1,567,575)	0	22,958,094
Governmental Activities Capital Assets, Net	\$25,599,309	(\$1,526,855)	\$0	\$24,072,454

*Depreciation expense was charged to governmental activities as follows:

General Government	\$63,357
Security of Persons and Property	106,416
Public Health Services	4,952
Transportation	1,089,271
Community Development	298,648
Basic Utility Services	7,158
Leisure Time Activities	5,372
Total Depreciation Expense	\$1,575,174

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Note 11 - Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
Business-Type Activities:			
<i>Special Obligation Bonds</i>			
Water System Revenue Bonds	3.49%	\$1,615,000	2018
<i>Ohio Water Development Authority Loans</i>			
OWDA Water and Sewer Loan	5.65	\$687,526	2017
Water Distribution	6.36	441,086	2017
Lakes Project	6.87	2,513,646	2015
Liberty Water	6.36	47,158	2017
Liberty Street Waterline Replacement	2.00	63,765	2016
Governmental Activities:			
Notes Payable	3.22	3,122,780	2016
Ohio Public Works Commission Loan	0.00	18,571	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 2015 follows:

	Amount Outstanding 12/31/2014	Additions	Deletions	Amount Outstanding 12/31/2015	Amounts Due In One Year
Business-Type Activities:					
<i>Special Obligation Bonds</i>					
Water System Revenue Bonds	\$1,336,884	\$0	(\$317,081)	\$1,019,803	\$328,243
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	157,819	0	(60,503)	97,316	63,969
Water Distribution	103,708	0	(32,461)	71,247	34,526
Lakes Project	219,798	0	(219,798)	0	0
Liberty Water	9,478	0	(3,629)	5,849	3,860
Liberty Street Waterline Replacement	26,270	0	(13,004)	13,266	13,266
Total Ohio Water Development Authority Loans	517,073	0	(329,395)	187,678	115,621
Net Pension Liability - OPERS:					
Water	480,979	11,114	0	492,093	0
Sewer	625,272	14,449	0	639,721	0
Total Net Pension Liability	1,106,251	25,563	0	1,131,814	0
Compensated Absences	230,314	105,787	(97,562)	238,539	81,603
<i>Total Business-Type Activities Obligations</i>	<u>\$3,190,522</u>	<u>\$131,350</u>	<u>(\$744,038)</u>	<u>\$2,577,834</u>	<u>\$525,467</u>

City of Girard, Ohio
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	Amount Outstanding 12/31/2014	Additions	Deletions	Amount Outstanding 12/31/2015	Amounts Due In One Year
Governmental Activities Obligations:					
Net Pension Liability:					
OPERS	\$1,298,643	\$30,010	\$0	\$1,328,653	\$0
OP&F	4,154,202	264,507	0	4,418,709	0
Total Net Pension Liability	5,452,845	294,517	0	5,747,362	0
Notes Payable	2,810,502	0	(281,050)	2,529,452	2,529,452
Ohio Public Works Commission Loan	42,974	0	(8,595)	34,379	8,595
Capital Lease	101,610	0	(67,086)	34,524	34,524
Compensated Absences	798,707	255,531	(305,278)	748,960	296,097
Police and Fire Pension	233,097	0	(7,370)	225,727	7,697
<i>Total Governmental Activities Obligations</i>	<u>\$9,439,735</u>	<u>\$550,048</u>	<u>(\$669,379)</u>	<u>\$9,320,404</u>	<u>\$2,876,365</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. 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 obligations related to employee compensation from the fund benefitting from their service. 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. See Note 14 for additional information related to the net pension liability.

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

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

The City has pledged future revenues, net of operating expenses, to repay OWDA loans and revenue bonds in the water fund. The debt is payable solely from net revenues and are payable through 2018. Annual principal and interest payments on the debt issues required more than 100 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$923,789. Principal and interest paid for the current year and total net revenues were \$578,679 and \$431,081 respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans and revenue bonds in the sewer fund. The debt is payable solely from net revenues and are payable through 2018. Annual principal and interest payments on the debt issues required more than 100 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$359,989. Principal and interest paid for the current year and total net revenues were \$142,525 and \$55,419 respectively.

City of Girard, Ohio
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For The Year Ended December 31, 2015

The City's overall legal debt margin was \$7,930,269 at December 31, 2015. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2015, are as follows:

Business-Type Activities:

	OWDA Loans		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$115,621	\$9,709	\$328,243	\$32,752
2017	72,057	3,405	339,799	21,196
2018	0	0	351,761	9,235
Total	\$187,678	\$13,114	\$1,019,803	\$63,183

Governmental Activities:

	Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal
	2016	\$7,697	\$9,477
2017	8,035	9,137	8,595
2018	8,389	8,784	8,595
2019	8,754	8,419	8,594
2020	9,130	8,043	0
2021-2025	51,544	34,321	0
2026-2030	61,517	24,348	0
2031-2035	70,661	15,202	0
Total	\$225,727	\$117,731	\$34,379

Note 12 – Capital Lease

In prior years, the City entered into a capital lease for three 2012 freightliners with Myers snow and ice lifts classified as vehicles. The lease meets the criteria for a capital lease and has been recorded on the government-wide statements. The original amounts capitalized for the capital leases and the book values as of December 31, 2015 are as follows:

	Amounts
Vehicles	\$323,229
Less: Accumulated Depreciation	(107,743)
Current Book Value	\$215,486

As of December 31, 2015, the present value of the minimum lease payments was \$35,196, consisting of the 2016 minimum lease payment of \$34,524 minus the amount representing interest of \$672.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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

Note 13 - Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the City contracted with US Specialty Insurance Company for various types of insurance as follows:

Type	Coverage
Commercial Liability	\$1,000,000/\$3,000,000
Public Officials	1,000,000/1,000,000
Law Enforcement	1,000,000/1,000,000
Automobile	1,000,000
Automobile Physical Damage	Actual Cash Value
Real and Personal Property	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 \$135,643 have been accrued as a liability based on a review of January 2016 billings provided by the City Auditor's Office.

The claims liability of \$135,643 reported in the internal service fund at December 31, 2015 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 2014 and 2015 were:

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2014	\$111,124	\$1,242,258	\$1,261,959	\$91,423
2015	91,423	1,250,324	1,206,104	135,643

Workers' Compensation

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

Note 14 - Defined Benefit Pension Plans

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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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.

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):

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

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

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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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

	State and Local
2015 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
	14.0 %
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 \$301,540 for 2015. Of this amount, \$33,496 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

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

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, 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
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
 2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
 Total Employer	 19.50 %	 24.00 %
 Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$384,612 for 2015. Of this amount \$47,000 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2015, the unfunded liability of the City was \$225,727 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension

City of Girard, Ohio
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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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,460,467	\$4,418,709	\$6,879,176
Proportion of the Net Pension Liability	0.020400%	0.08529640%	
Pension Expense	\$267,626	\$431,025	\$698,651

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$131,283	\$190,442	\$321,725
City contributions subsequent to the measurement date	<u>301,540</u>	<u>384,612</u>	<u>686,152</u>
Total Deferred Outflows of Resources	<u>\$432,823</u>	<u>\$575,054</u>	<u>\$1,007,877</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$43,226</u>	<u>\$0</u>	<u>\$43,226</u>

\$686,152 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2016	\$12,876	\$47,611	\$60,487
2017	12,876	47,611	60,487
2018	29,484	47,610	77,094
2019	<u>32,821</u>	<u>47,610</u>	<u>80,431</u>
Total	<u>\$88,057</u>	<u>\$190,442</u>	<u>\$278,499</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

City of Girard, Ohio
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Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 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 6.95 percent for 2014.

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 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	100.00 %	5.28 %

City of Girard, Ohio
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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 statutorily required rates. 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:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$4,526,556	\$2,460,467	\$720,324

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF'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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
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

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

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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 OPF's target asset allocation as of December 31, 2014 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF'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	\$6,111,743	\$4,418,709	\$2,985,224

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

Note 15 – Postemployment Benefits

Ohio Public Employees Retirement System

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

OPERS maintains two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which fund 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 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.

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 for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. 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 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 employer

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

Substantially all of the City's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2015, 2014 and 2013 was \$50,257, \$50,083 and \$25,619, respectively. For 2015, 88.89 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

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 postemployment 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.

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment 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 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 by the Ohio Revised Code to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. 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 premium 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 contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. 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 contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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 contributions to OPF which were allocated to fund postemployment health care benefits for police and firefighters were \$4,771 and \$4,326 for the year ended December 31, 2015, \$4,627 and \$4,554 for the year ended December 31, 2014, and \$32,634 and \$24,170 for the year ended December 31, 2013. For 2015, 87.67 percent has been contributed for police and 87.88 percent has been contributed for firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

Note 16 - Interfund Balances

Interfund balances at December 31, 2015, consisted of (1) a \$278,055 interfund receivable/payable between the street construction, maintenance and repair fund and the general, water and internal service funds due to negative cash, (2) a \$210,000 interfund receivable/payable between the other governmental funds and the general fund due to negative cash and (3) a \$135,643 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	Other Governmental Funds	Internal Service	Total
<i>Major Funds:</i>				
General	\$34,521	\$210,000	\$49,850	\$294,371
Street Construction, Maintenance and Repair	0	0	11,852	11,852
<i>Total Major Funds</i>	<u>34,521</u>	<u>210,000</u>	<u>61,702</u>	<u>306,223</u>
Water	243,364	0	46,249	289,613
Sewer	0	0	27,692	27,692
<i>Total Enterprise Funds</i>	<u>243,364</u>	<u>0</u>	<u>73,941</u>	<u>317,305</u>
Internal Service Fund	170	0	0	170
<i>Totals</i>	<u><u>\$278,055</u></u>	<u><u>\$210,000</u></u>	<u><u>\$135,643</u></u>	<u><u>\$623,698</u></u>

Note 17 - Jointly Governed Organizations

Eastgate Development and Transportation Agency

The Eastgate Development and Transportation Agency (EDATA) is committed to fostering cooperative regional efforts in the planning, programming, and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the members. In 2015, the City contributed \$3,485 to the Eastgate Development and Transportation Agency. For more information contact John R. Getchey, executive director, at 100 Federal Plaza East, Youngstown, Ohio 44503.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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 2015, the City contributed \$2,095 to the Emergency Management Agency. For more information contact Linda Beil, director, at 1453 Youngstown Kingsville Road, Vienna, Ohio 44473.

Note 18 – Significant Commitments

Encumbrances

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

<i>Governmental Funds:</i>		<i>Proprietary Funds:</i>	
General	\$83,596	Water fund	\$48,423
Garbage	41,897		
Street Construction, Maintenance and Repair	41,821		
Other Governmental Funds	27,604	Sewer fund	266,143
Total Governmental	\$194,918	Total Proprietary	\$314,566

Note 19 – Change in Accounting Principle and Restatement of Net Position

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68”. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported at December 31, 2014:

	Governmental Activities	Business - Type Activity
Net Position December 31, 2014	\$25,830,303	\$11,657,092
Adjustments:		
Net Pension Liability	(5,452,845)	(1,106,251)
Deferred Outflow - Payments Subsequent to Measurement Date	519,019	138,051
Restated Net Position December 31, 2014	\$20,896,477	\$10,688,892

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise</u>
Net Position December 31, 2014	\$4,240,526	\$7,416,566	\$11,657,092
Adjustments:			
Net Pension Liability	(480,979)	(625,272)	(1,106,251)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>60,022</u>	<u>78,029</u>	<u>138,051</u>
Restated Net Position December 31, 2014	<u><u>\$3,819,569</u></u>	<u><u>\$6,869,323</u></u>	<u><u>\$10,688,892</u></u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 20 – Financial Difficulties

As of December 31, 2015, the City had deficit cash balances of \$244,521 in the general fund and \$243,364 in the water 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 and the capital projects and municipal court computer capital projects funds to cover the deficits. The City’s plan to eliminate the negative cash balances in the general fund and water fund is to try to decrease disbursements in these funds.

City of Girard, Ohio
Notes to the Basic Financial Statements
For The Year Ended December 31, 2015

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Required Supplementary Information

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

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

(1) Information prior to 2014 is not available.

Amounts presented 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 Two Years (1)

	2015	2014
City's Proportion of the Net Pension Liability	0.08529640%	0.08529640%
City's Proportionate Share of the Net Pension Liability	\$4,418,709	\$4,154,202
City's Covered-Employee Payroll	\$1,681,335	\$1,570,617
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	262.81%	264.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2014 is not available.

Amounts presented 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 Three Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$301,540	\$300,110	\$333,041
Contributions in Relation to the Contractually Required Contribution	<u>(301,540)</u>	<u>(300,110)</u>	<u>(333,041)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,512,836	\$2,500,917	\$2,561,854
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$384,612	\$356,960	\$279,541	\$262,560
Contributions in Relation to the Contractually Required Contribution	<u>(384,612)</u>	<u>(356,960)</u>	<u>(279,541)</u>	<u>(262,560)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,819,363	\$1,681,335	\$1,570,617	\$1,765,717
Contributions as a Percentage of Covered-Employee Payroll	21.14%	21.23%	17.80%	14.87%

2011	2010	2009	2008	2007	2006
\$282,535	\$258,828	\$246,708	\$248,908	\$235,624	\$255,172
(282,535)	(258,828)	(246,708)	(248,908)	(235,624)	(255,172)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,909,227	\$1,735,014	\$1,660,712	\$1,670,300	\$1,577,022	\$1,843,894
14.80%	14.92%	14.86%	14.90%	14.94%	13.84%

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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 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 9, 2017, wherein we noted the City has adopted Governmental Accounting Standards Board Statement No. 68 and No. 71. 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 20 to the financial statements, the City has suffered losses from operations and has General Fund and Water Fund fund balance deficits as of December 31, 2015 of (\$22,539) and (\$243,364), 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 2015-005 through 2015-007 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 2015-001 and 2015-008 through 2015-010 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 2015-001 through 2015-005.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

March 9, 2017

**CITY OF GIRARD
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015**

1. Issue II Grant Funds

<i>Finding Number</i>	2015-001
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NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

Ohio Rev. Code § 5705.09(F) requires that a subdivision establish a special fund for each class of revenue derived from a source, other than general property tax, which the law requires to be used for a particular purpose. Furthermore, Auditor of State Bulletin 2002-004 clarifies the application of section 5705.09 to Issue 2 projects, and notes that Council should establish, by resolution, a separate capital projects fund to account for each Issue 2 project funded from the Ohio Public Works Commission. Additionally, Ohio Revised Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The City did not establish the required capital projects fund (Issue 2 Projects CF11S - West Liberty Street Widening / Resurfacing and CU11S - Broadway Sewer Repair / Replacement) in accordance with Ohio Revised Code § 5705.09(F), nor did they record the related revenues and expenditures of \$175,421 (\$115,421 in Other Governmental Funds and \$60,000 in the Sewer Fund). The City's Issue 2 monies went directly from the Ohio Public Works Commission to the appropriate contractor, as is common procedure with Issue 2 funding, and the City did not record these monies coming into the City or being expended to the contractor as required. Consequently, the City also violated Ohio Revised Code Section 5705.41(B) when it failed to appropriate these monies. The financial statements have been updated to include these on-behalf monies on the financial statements.

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

The City should establish a separate capital projects fund for each Issue 2 or grant related project in order to account for the related receipts and disbursements to the extent the City has received a benefit from each project and budget for these monies accordingly.

2. Water System Revenue Bond Requirements

<i>Finding Number</i>	2015-002
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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, 2015, the Water Revenue Fund (#601) cash fund balance was \$(461,141); the Sewer Rental Fund (#620) cash fund balance was \$(16,610). The Utility fund charges for services were not sufficient to cover the operations of the utility as required by City Ordinance 7883-13 Section 10. In addition, the Water System Revenue Bond payments are made directly from the Water Revenue Fund (#601) and the Sewer Rental Fund (#620). The City did not create a Bond Fund in accordance with City Ordinance 7883-13 Section 11.

The City lacked adequate controls to make sure City Ordinance 7888-13 was followed.

The City should review the rates, charges, and costs associated with the Water and Sewer Fund operations. Adjustments to rates 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.

3. Negative Fund Balances

<i>Finding Number</i>	2015-003
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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.

**Finding Number 2015-003
 (Continued)**

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

- General Fund in the amount of (\$22,539).
- Hospitalization Fund in the amount of (\$170).
- Water Revenue Fund in the amount of (\$243,364).

The City had the following negative fund balances during 2015:

- General Fund with amounts ranging from (\$5,397) to (\$330,762) for the months ending July through December.
- Street Construction Maintenance Repair Fund in the amount of (\$8,935) for the month ending June.
- Street Permissive Fund in the amount of (\$1,783) for the month ending November.
- Garbage Fund in the amount of (\$24,819) for the month ending March.
- Recreation Fund with amounts ranging from (\$711) to (\$57,389) for the months ending February through April and June through December.
- CHIP / CHIS Fund in the amount of (\$3,271) for the month ending November.
- Fire Levy Fund with amounts ranging from (\$16,087) to (\$72,774) for the months ending January through March.
- General Bond Fund with amounts ranging from (\$1,065) to (\$84,361) for the months ending June through October.
- Water Revenue Fund with amounts ranging from (\$163,612) to (\$594,350) for the months ending January through December.
- Sewer Rental Fund with amounts ranging from (\$14,325) to (\$111,637) for the months ending February through April, June, October, and December.
- Cemetery Fund with amounts ranging from (\$1,550) to (\$14,910) for the months ending June through December.
- Capital Improvement Fund with amounts ranging from (\$583) to (\$1,747) for the months ending September through December.

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

4. Actual Expenditures Exceeding Appropriations

<i>Finding Number</i>	2015-004
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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 2015, the City's expenditures exceeded appropriations for the Street Construction, Maintenance and Repair Fund in the amount of \$184,390.

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

5. Bank vs Book Reconciliations

<i>Finding Number</i>	2015-005
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NONCOMPLIANCE AND MATERIAL WEAKNESS

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

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

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

The City Treasurer did not maintain an account of all monies received in accordance with **Ohio Rev. Code § 733.43**. The City Auditor maintained the books of the City as well as the bank accounts. During 2015, the City Auditor did not reconcile the book balances to the bank balances monthly, but attempted to reconcile all activity for 2015 after year-end. Reconciliations for fiscal year 2015 were not provided for audit until April 2016. The bank reconciliations provided were not complete or accurate and the City was unable to identify the unreconciled unknown balances. As a result, the Auditor of State's Local Government Services Division assisted the City in reconciling its 2015 activity.

**Finding Number 2015–005
 (Continued)**

Upon conclusion of the reconciliations being performed, the City's books were understated at year end by \$23 for receipts and disbursements occurring in 2015. The number of reconciling adjustments, for transactions that were not posted to the City's accounting system or were posted in error, totaled 164. The following fund balance adjustments were necessary:

Fund	Amount
General Fund	(\$107)
Muni Court Special Project	(155)
Ambulance Hospital	(291)
Elderly Bus Fare	(2,129)
Law Enforcement Drug	104
CHIP / CHIS	3,570
Water Revenue	(823)
Sewer Rental	(9)
Cemetery	2
Cemetery TC Tomko	(30)
Cemetery TC King Seklar	(19)
Cemetery TC Mausoleum	(30)
Capital Improvement	1,022
Lake Dams	(1,082)
Total	\$23

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 checking account contained 216 checks totaling \$70,617 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.

6. Account Classification

<i>Finding Number</i>	2015-006
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MATERIAL WEAKNESS

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

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

- The City received State tax distributions for City levied permissive motor vehicle license tax totaling \$180,343. The City posted the tax revenue as Intergovernmental Revenue in the Street Permissive Tax Fund. The amount should have been posted as permissive tax revenue.
- The City had governmental notes payable of \$2.5 million that matured on June 28, 2016. The Statement of Net Position did not reflect the balance as amounts due in one year.

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:

- Girard Municipal Court declared a surplus in Court Computer Fund A and issued a judgment entry authorizing and directing the City Auditor to transfer the surplus funds of \$30,000 to the City General Fund. The City improperly accounted for this transaction by recording an expenditure in Court Computer Fund A and a corresponding revenue in the General Fund. Since the Court declared the monies to be transferred, the City Auditor should have moved the surplus via a transfer-out from the Court Computer Fund A and a transfer-in to the General Fund Transfer.
- The City received \$50,000 from a local school district for providing a police resource officer to the District. The City improperly posted the revenue as fines and forfeitures instead of charges for services revenue.
- The City received Joint Economic Development Zone Income Tax Revenue from the City of Youngstown in the amount of \$5,199. The City deposited the funds but did not record the amount in the accounting system. In 2016, the City contracted with LGS to reconcile all accounts for 2015. This error was subsequently accounted for in the cash reconciliation and GAAP compiled financial statements as General Fund Income Tax Revenue.
- The City received a State grant for a water line project in the amount of \$93,000. The City posted the grant to the Water Fund Other Revenue. The amount should have been posted as Grant Revenue.

The City made the following posting errors to the Water and Sewer Funds Charges for Services:

- Receipt 2015-16188 in the amount of \$28,241 was posted to the Sewer Fund. According to the Utility Billing System (January Batch 20 to 25) \$19,513 and \$8,728 should have been posted to the Water and Sewer Funds respectively.

**Finding Number 2015–006
 (Continued)**

- Receipt 2015-16222 in the amounts of \$69,648 and \$7,619 was posted to the Water and Sewer Funds respectively. According to the Utility Billing System (January Batch 99 to 100) \$5,807 and \$71,460 should have been posted to the Water and Sewer Funds respectively.
- Receipt 2015-16875 in the amount of \$51,844 was posted to the Water Fund. According to the Utility Billing System (November Batch 109), \$51,844 should have been posted to the Sewer Fund.
- The 3 errors noted above caused a net overstatement of Water Fund Charges for Services and corresponding net understatement of Sewer Fund Charges for Services in the amount of \$96,172.

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

7. Utility Accounts Receivable

<i>Finding Number</i>	2015-007
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MATERIAL WEAKNESS

Governmental Accounting Standards Board (GASB) Statement 34, Footnote 41 (GASB Cod. Fn 44) requires that revenues should be reported net of discounts and allowances with the discount or allowance amount parenthetically disclosed on the face of the statement or in a note to the financial statements. Alternatively, revenues may be reported gross with the related discounts and allowances reported directly beneath the revenue amount.

The accounts receivable (net of un-collectibles) reported in the Statement of Net Position – Proprietary Funds is potentially misstated because the amount does not factor in an amount for uncollectible accounts. Instead, the accounts receivable amount equals the total amount billed to customers as of year-end but not paid until after December 31, 2015.

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

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

8. Health Plan Administrators SOC 1 Report

<i>Finding Number</i>	2015-008
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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.

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 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.

9. OPWC Project Local Share Expenditures

<i>Finding Number</i>	2015-009
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SIGNIFICANT DEFICIENCY

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

The control procedures over the review of the expenditure transactions failed to detect the following:

The City contracted with A.P. O'Horo for the Broadway Avenue Sewer Repair Project at a cost of \$85,269. The project was funded with a \$60,000 grant from the Ohio Public Works Commission (OPWC) and a City contribution of \$25,269. The OPWC grant of \$60,000 was paid, on the City's behalf, directly from OPWC to the contractor in November. The City issued check 65893 on December 14, which included payment in the amount of \$85,269, to A.P. O'Horo. The City erroneously included payment of \$60,000 that was already paid on their behalf by OPWC. On December 29, 2015 the contractor sent a letter to the City Auditor detailing the overpayment and the resolution of issue. The contractor credited the City's account for 3 other open projects in the amount of \$43,782 and paid a cash refund of \$16,218.

**Finding Number 2015-009
(Continued)**

The City should review all project funding sources and related payments prior to disbursing funds. Any local share paid by the City should be verified to the grant agreement, contracts, and change orders.

The City should follow the guidance recommended in Finding Number 2015-001 related to compliance and accounting for Issue II projects.

10. Lack of Monitoring

<i>Finding Number</i>	2015-010
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SIGNIFICANT DEFICIENCY

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

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

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

(1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

(3) Control activities, which are policies and procedures that help ensure management directives are carried out so as to identify and assess the risks of material misstatements, whether due to fraud or error, at the financial statement and relevant assertion levels.

(4) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.

(5) Monitoring, which is a process that assesses the quality of internal control performance over time.

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

**Finding Number 2015–010
(Continued)**

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

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

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

**CITY OF GIRARD
TRUMBULL COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	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.
2014-002	Finding for Recovery Repaid Under Audit	Corrected	
2014-003	Negative Fund Balances (initially occurred 2014)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2014-004	Bank Versus Book Reconciliations (initially occurred 2007)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2014-005	Account Classifications (initially occurred 2011)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2014-006	Utility Accounts Receivable (initially occurred 2006)	Not corrected	The City will continue to try to get better, more thorough, efficient, and more timely.
2014-007	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.
2014-008	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
MAY 18, 2017