

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2013**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Girard, Trumbull County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

October 9, 2014

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**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

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Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Members of City Council  
City of Girard, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**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, 2013, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Ohio, as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparisons for the General Fund, the Garbage Fund, and the Fire Levy Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 3 to the financial statements, the City restated its net position at December 31, 2012 for governmental activities and enterprise funds due to an understatement of compensated absences payable. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Girard, Ohio's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014, on our consideration of the City of Girard, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 of Girard, Ohio's internal control over financial reporting and compliance.

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

Digitally signed by James G. Zupka, CPA,  
President  
DN: cn=James G. Zupka, CPA, President,  
o=James G. Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.09.30 17:33:08 -04'00'

September 17, 2014

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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The discussion and analysis of the City of Girard's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2013. 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 2013 are as follows:

- The US422 corridor has experienced significant economic growth due to the recent historic expansion and investments made by V&M Star and anticipated future development related to V&M Star and the emerging energy industry. US422 is a major highway connecting communities from Pennsylvania into Cleveland, Ohio, including the cities of Youngstown and Girard.
- The City purchased several new vehicles and new equipment, which include a new fire truck as well as a new police cruiser. The City purchased two lawn mowers as well. These purchases partially offset the decrease in governmental capital assets that resulted due to an additional year of depreciation.
- Outstanding obligations increased during 2013 due to the City incurring additional debt during the year.

**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 2013?" The Statement of Net Position and the Statement of Activities answer this question.

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

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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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, the garbage and fire levy special revenue funds, the bond retirement debt service fund and the capital improvement capital projects fund.

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

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

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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

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

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

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

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

**The City of Girard as a Whole**

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2013 as they compare to 2012.

(Table 1)  
*Net Position*

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and Other Assets	\$5,856,345	\$5,472,077	\$1,414,183	\$1,353,503	\$7,270,528	\$6,825,580
Capital Assets, Net	27,065,205	27,713,193	12,142,321	10,812,478	39,207,526	38,525,671
<i>Total Assets</i>	<u>32,921,550</u>	<u>33,185,270</u>	<u>13,556,504</u>	<u>12,165,981</u>	<u>46,478,054</u>	<u>45,351,251</u>
<b>Liabilities</b>						
Current Liabilities	444,475	863,509	557,102	308,086	1,001,577	1,171,595
Long-term Liabilities						
Due within one Year	332,546	343,309	678,741	360,485	1,011,287	703,794
Due in More than one Year	3,998,073	4,042,555	1,989,376	956,458	5,987,449	4,999,013
<i>Total Liabilities</i>	<u>4,775,094</u>	<u>5,249,373</u>	<u>3,225,219</u>	<u>1,625,029</u>	<u>8,000,313</u>	<u>6,874,402</u>
<b>Deferred Inflows of Resources</b>	<u>\$1,129,946</u>	<u>\$1,118,182</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,129,946</u>	<u>\$1,118,182</u>

**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

(Table 1)  
*Net Position (continued)*

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Net Position</b>						
Net Investment in						
Capital Assets	\$23,724,696	\$23,954,714	\$9,700,694	\$9,694,898	\$33,425,390	\$33,649,612
Restricted for:						
Capital Projects	282,222	207,833	0	0	282,222	207,833
Debt Service	233,560	237,319	0	0	233,560	237,319
State Highway Maintenance	72,527	82,267	0	0	72,527	82,267
Street Resurfacing and						
Traffic Lights	83,068	93,680	0	0	83,068	93,680
Garbage Collection	224,275	182,058	0	0	224,275	182,058
Other Purposes	1,432,365	1,201,447	0	0	1,432,365	1,201,447
Unrestricted	963,797	858,397	630,591	846,054	1,594,388	1,704,451
<i>Total Net Position</i>	<u>\$27,016,510</u>	<u>\$26,817,715</u>	<u>\$10,331,285</u>	<u>\$10,540,952</u>	<u>\$37,347,795</u>	<u>\$37,358,667</u>

By comparing assets, liabilities and deferred inflows of resources one can see the position of the governmental activities has increased while for business-type activities, there was a slight decrease in net position. 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 2013 and 2012.

(Table 2)  
*Changes in Net Position*

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Program Revenues</b>						
Charges for Services and						
Assessments	\$1,510,076	\$1,289,367	\$5,164,236	\$4,770,186	\$6,674,312	\$6,059,553
Operating Grants and						
Contributions	1,721,683	2,544,097	0	0	1,721,683	2,544,097
Capital Grants	898,100	78,577	0	0	898,100	78,577
<i>Total Program Revenues</i>	<u>4,129,859</u>	<u>3,912,041</u>	<u>5,164,236</u>	<u>4,770,186</u>	<u>9,294,095</u>	<u>8,682,227</u>
<b>General Revenues</b>						
Property Taxes	1,115,334	1,106,096	0	0	1,115,334	1,106,096
Municipal Income Tax	4,003,589	4,749,360	0	0	4,003,589	4,749,360
Grants and Entitlements not						
Restricted to Specific Programs	454,053	200,921	30,363	0	484,416	200,921
Gain on Sale of Capital Asset	3,270	15,230	0	0	3,270	15,230
Interest	1,443	469	0	318	1,443	787
Miscellaneous	179,778	91,817	29,842	0	209,620	91,817
<i>Total General Revenues</i>	<u>5,757,467</u>	<u>6,163,893</u>	<u>60,205</u>	<u>318</u>	<u>5,817,672</u>	<u>6,164,211</u>
<i>Total Revenues</i>	<u>\$9,887,326</u>	<u>\$10,075,934</u>	<u>\$5,224,441</u>	<u>\$4,770,504</u>	<u>\$15,111,767</u>	<u>\$14,846,438</u>

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

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
<b>Program Expenses</b>						
General Government	\$2,193,290	\$2,114,932	\$0	\$0	\$2,193,290	\$2,114,932
Security of Persons and Property	3,540,380	3,430,057	0	0	3,540,380	3,430,057
Public Health Services	189,069	220,659	0	0	189,069	220,659
Transportation	2,037,134	2,109,347	0	0	2,037,134	2,109,347
Community Development	797,692	840,656	0	0	797,692	840,656
Basic Utility Services	526,132	1,174,537	0	0	526,132	1,174,537
Leisure Time Activities	280,812	279,942	0	0	280,812	279,942
Interest and Fiscal Charges	124,022	113,324	0	0	124,022	113,324
Water	0	0	3,347,908	2,814,506	3,347,908	2,814,506
Sewer	0	0	2,086,200	2,033,586	2,086,200	2,033,586
<i>Total Program Expenses</i>	<u>9,688,531</u>	<u>10,283,454</u>	<u>5,434,108</u>	<u>4,848,092</u>	<u>15,122,639</u>	<u>15,131,546</u>
<i>Change in Net Position</i>	198,795	(207,520)	(209,667)	(77,588)	(10,872)	(285,108)
Net Position Beginning of Year	26,817,715	27,025,235	10,540,952	10,618,540	37,358,667	37,643,775
Net Position End of Year	<u>\$27,016,510</u>	<u>\$26,817,715</u>	<u>\$10,331,285</u>	<u>\$10,540,952</u>	<u>\$37,347,795</u>	<u>\$37,358,667</u>

**Governmental Activities**

Funding for governmental activities is derived from several sources, the largest of which is the City's municipal income tax. There was a decrease in income tax collections in 2013, due to the completion of the expansion of the V & M Star plant. The revenue collected from the income tax, less funds necessary to pay the administrative fees for RITA and to cover refunds, are receipted into the following funds: 84.7 percent went to the general fund (January through April) and 82.4 percent (May through December), 11.5 percent went to the general obligation bond retirement fund (January through December), 2.2 percent went to the garbage fund (January through December), 1.6 percent went to the recreation fund (January through December) and 2.3 percent went to the capital improvement fund (May through December).

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

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

Basic utility service expenditures decreased as a result of spending \$698,566 from the aforementioned performance bond for landfill improvements during the previous year. The largest governmental activities expenses are for the police and fire departments. The police department employs sixteen officers including the police chief and one full-time and seven part-time dispatchers. The fire department employs thirteen full-time positions.



**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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

**Business-Type Activities**

The City operates two business-type activities, the water and sewer treatment facilities. These two activities generated operating revenues of \$3,373,710 from water and \$1,790,526 from the sewer plant facility. Water and sewer expenses for 2013 amounted to \$3,347,908 and \$2,086,200, respectively. For 2013, 6,200 water customers and 4,100 sewer customers were serviced. Approximately 45 million gallons are billed and processed on a monthly basis.

**The City's Funds**

Information about the City's governmental funds begins with the Balance Sheet. The funds are accounted for using the modified accrual method of accounting. The general fund concluded the year with a positive fund balance as the City carefully watches all expenditures to ensure fiscal solvency. The garbage fund ended the year with a positive fund balance as the City carefully watched all expenditures to ensure fiscal solvency. The Fire Levy fund ended the year with a negative fund balance due to expenditures outpacing revenues in the current year. The negative fund balance is due to the recognition of expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in other funds and provides transfers when cash is required, not when accruals occur. The bond retirement fund balance increased due to a reduction in debt service payments. The capital improvement fund balance increased during 2013 to allow the City to use resources in future periods for new capital improvements. The City was able to use a safety grant receipted into the capital improvement fund to finance the new fire truck during the year.

Enterprise funds are handled in the same manner as governmental funds, with the intent to ensure the strength of these funds. These funds had total operating revenue of \$5,164,236 and total operating expenses of \$5,306,996. 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 2013, actual revenues for the general fund were higher than final estimated revenues due to higher fines and forfeitures coming in during the year as well as intergovernmental revenue. City Council's actual expenditures were less than final appropriations due mainly to lower than anticipated security of persons and property expenditures.

The original revenue and expenditure budget is designed to be very conservative requiring additional spending requests to be approved by Council throughout the year. During the course of 2013, the City amended its general fund budget numerous times.

**Capital Assets and Debt Administration**

***Capital Assets***

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

**City of Girard**  
*Management's Discussion and Analysis*  
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Total capital assets for the business-type activities, net of accumulated depreciation increased due to the purchase of a new vehicle as well as the replacement of water and sewer meters. This increase was partially offset by an additional year of accumulated depreciation being taken.

See Note 9 to the basic financial statements for additional information on capital assets.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$1,073,640	\$1,073,640	\$4,187,169	\$4,187,169	\$5,260,809	\$5,260,809
Buildings and Improvement	6,785,967	6,873,434	5,858,661	5,981,350	12,644,628	12,854,784
Furniture and Equipment	177,535	191,415	1,704,770	239,292	1,882,305	430,707
Vehicles	1,434,221	631,105	75,287	68,050	1,509,508	699,155
Infrastructure						
Streets	13,711,418	14,762,527	0	0	13,711,418	14,762,527
Sidewalks	3,352,378	3,610,253	0	0	3,352,378	3,610,253
Curbs	530,046	570,819	0	0	530,046	570,819
Water and Sewer Lines	0	0	316,434	336,617	316,434	336,617
<b>Total Capital Assets</b>	<b>\$27,065,205</b>	<b>\$27,713,193</b>	<b>\$12,142,321</b>	<b>\$10,812,478</b>	<b>\$39,207,526</b>	<b>\$38,525,671</b>

### Long-term Obligations

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

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Notes Payable	\$3,122,780	\$3,122,780	\$0	\$0	\$3,122,780	\$3,122,780
Special Obligation Bonds	0	0	1,615,000	0	1,615,000	0
OPWC Loan	51,569	60,164	0	0	51,569	60,164
OWDA Loans	0	0	826,627	1,117,580	826,627	1,117,580
Capital Leases	166,160	228,270	0	0	166,160	228,270
Compensated Absences	749,955	727,737	226,490	199,363	976,445	927,100
Police and Fire Pension	240,155	246,913	0	0	240,155	246,913
<b>Total</b>	<b>\$4,330,619</b>	<b>\$4,385,864</b>	<b>\$2,668,117</b>	<b>\$1,316,943</b>	<b>\$6,998,736</b>	<b>\$5,702,807</b>

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



**City of Girard**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2013*  
*Unaudited*

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

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

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 of Girard's overall legal debt margin was \$8,796,220 on December 31, 2013. For more information about the City's long-term obligations, see Notes 10 and 13 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 2013. But with decreasing revenues from Federal and State sources and increasing expenses, the City is going to see some tougher times in the coming years.

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

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

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

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**City of Girard, Ohio**  
*Statement of Net Position*  
*December 31, 2013*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,948,794	\$487,727	\$2,436,521
Accrued Interest Receivable	146	0	146
Accounts Receivable	1,772	901,314	903,086
Internal Balances	48,306	(48,306)	0
Intergovernmental Receivable	951,481	0	951,481
Property Taxes Receivable	1,415,177	0	1,415,177
Income Taxes Receivable	1,387,410	0	1,387,410
Special Assessments Receivable	10,786	45,545	56,331
Loans Receivable	74,355	0	74,355
Prepaid Items	18,118	27,903	46,021
Nondepreciable Capital Assets	1,073,640	4,187,169	5,260,809
Depreciable Capital Assets, Net	25,991,565	7,955,152	33,946,717
<i>Total Assets</i>	<u>32,921,550</u>	<u>13,556,504</u>	<u>46,478,054</u>
<b>Liabilities</b>			
Accounts Payable	62,481	223,779	286,260
Contracts Payable	245	3,829	4,074
Accrued Wages	90,234	29,843	120,077
Intergovernmental Payable	178,373	226,461	404,834
Accrued Interest Payable	2,018	73,190	75,208
Claims Payable	111,124	0	111,124
Long-Term Liabilities:			
Due Within One Year	332,546	678,741	1,011,287
Due In More Than One Year	3,998,073	1,989,376	5,987,449
<i>Total Liabilities</i>	<u>4,775,094</u>	<u>3,225,219</u>	<u>8,000,313</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,129,946	0	1,129,946
<b>Net Position</b>			
Net Investment in Capital Assets	23,724,696	9,700,694	33,425,390
Restricted for:			
Capital Projects	282,222	0	282,222
Debt Service	233,560	0	233,560
State Highway Maintenance	72,527	0	72,527
Street Resurfacing and Traffic Lights	83,068	0	83,068
Garbage Collection	224,275	0	224,275
Other Purposes	1,432,365	0	1,432,365
Unrestricted	963,797	630,591	1,594,388
<i>Total Net Position</i>	<u>\$27,016,510</u>	<u>\$10,331,285</u>	<u>\$37,347,795</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2013

	Program Revenues			
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants
<b>Governmental Activities:</b>				
General Government	\$2,193,290	\$630,824	\$0	\$898,100
Security of Persons and Property	3,540,380	517,108	63,796	0
Public Health Services	189,069	98,894	3,551	0
Transportation	2,037,134	4,974	1,059,855	0
Community Development	797,692	237,794	489,672	0
Basic Utility Services	526,132	0	72,911	0
Leisure Time Activities	280,812	20,482	31,898	0
Interest and Fiscal Charges	124,022	0	0	0
<i>Total Governmental Activities</i>	<u>9,688,531</u>	<u>1,510,076</u>	<u>1,721,683</u>	<u>898,100</u>
<b>Business-Type Activities:</b>				
Water	3,347,908	3,373,710	0	0
Sewer	2,086,200	1,790,526	0	0
<i>Total Business-Type Activities</i>	<u>5,434,108</u>	<u>5,164,236</u>	<u>0</u>	<u>0</u>
<i>Total</i>	<u>\$15,122,639</u>	<u>\$6,674,312</u>	<u>\$1,721,683</u>	<u>\$898,100</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

Grants and Entitlements not Restricted  
to Specific Programs

Gain on Sale of Capital Assets

Interest

Other

*Total General Revenues*

Change in Net Position

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

*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
(\$664,366)	\$0	(\$664,366)
(2,959,476)	0	(2,959,476)
(86,624)	0	(86,624)
(972,305)	0	(972,305)
(70,226)	0	(70,226)
(453,221)	0	(453,221)
(228,432)	0	(228,432)
(124,022)	0	(124,022)
<u>(5,558,672)</u>	<u>0</u>	<u>(5,558,672)</u>
0	25,802	25,802
0	(295,674)	(295,674)
<u>0</u>	<u>(269,872)</u>	<u>(269,872)</u>
<u>(5,558,672)</u>	<u>(269,872)</u>	<u>(5,828,544)</u>
216,619	0	216,619
372,917	0	372,917
306,964	0	306,964
29,536	0	29,536
19,043	0	19,043
170,255	0	170,255
3,404,475	0	3,404,475
447,652	0	447,652
90,083	0	90,083
61,379	0	61,379
454,053	30,363	484,416
3,270	0	3,270
1,443	0	1,443
179,778	29,842	209,620
<u>5,757,467</u>	<u>60,205</u>	<u>5,817,672</u>
198,795	(209,667)	(10,872)
<u>26,817,715</u>	<u>10,540,952</u>	<u>37,358,667</u>
<u>\$27,016,510</u>	<u>\$10,331,285</u>	<u>\$37,347,795</u>

**City of Girard, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2013*

	General	Garbage	Fire Levy	Bond Retirement	Capital Improvement
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$805,952	\$64,503	\$0	\$74,847	\$160,595
Receivables:					
Property Taxes	274,449	472,987	352,677	0	0
Income Taxes	1,197,335	30,524	0	159,551	0
Accounts	1,772	0	0	0	0
Intergovernmental	109,681	33,917	27,298	0	8,729
Special Assessments	10,786	0	0	0	0
Accrued Interest	146	0	0	0	0
Interfund Receivable	5,914	0	0	0	0
Prepaid Items	15,118	0	0	0	0
Loans Receivable	0	0	0	0	0
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	29,501	0	0	0	0
<b>Total Assets</b>	<b>\$2,450,654</b>	<b>\$601,931</b>	<b>\$379,975</b>	<b>\$234,398</b>	<b>\$169,324</b>
<b>Liabilities</b>					
Accounts Payable	\$35,040	\$0	\$0	\$0	\$0
Contracts Payable	245	0	0	0	0
Accrued Wages	65,416	0	15,767	0	0
Intergovernmental Payable	156,233	0	3,855	0	0
Interfund Payable	52,685	0	574	0	0
Accrued Interest Payable	0	0	0	84	0
<b>Total Liabilities</b>	<b>309,619</b>	<b>0</b>	<b>20,196</b>	<b>84</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>					
Property Taxes	219,133	377,656	281,595	0	0
Unavailable Revenue	1,136,607	157,221	98,380	135,430	0
<b>Total Deferred Inflows of Resources</b>	<b>1,355,740</b>	<b>534,877</b>	<b>379,975</b>	<b>135,430</b>	<b>0</b>
<b>Fund Balances</b>					
Nonspendable	44,619	0	0	0	0
Restricted	3,667	67,054	0	98,884	169,324
Assigned	131,751	0	0	0	0
Unassigned (Deficit)	605,258	0	(20,196)	0	0
<b>Total Fund Balances (Deficit)</b>	<b>785,295</b>	<b>67,054</b>	<b>(20,196)</b>	<b>98,884</b>	<b>169,324</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$2,450,654</b>	<b>\$601,931</b>	<b>\$379,975</b>	<b>\$234,398</b>	<b>\$169,324</b>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2013*

Other Governmental Funds	Total Governmental Funds		
		<b>Total Governmental Fund Balances</b>	\$2,071,114
		<i>Amounts reported for governmental activities in the statement of net position are different because</i>	
\$812,650	\$1,918,547	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,065,205
315,064	1,415,177	Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:	
0	1,387,410	Delinquent Property Taxes	285,231
0	1,772	Income Taxes	1,155,480
771,856	951,481	Intergovernmental	761,247
0	10,786	Special Assessments	<u>10,786</u>
0	146		
0	5,914	<b>Total</b>	<b>2,212,744</b>
3,000	18,118	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(1,934)
74,355	74,355		
0	29,501	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
<u>\$1,976,925</u>	<u>\$5,813,207</u>	OPWC Loans Payable	(51,569)
		Capital Leases	(166,160)
\$27,441	\$62,481	Compensated Absences	(749,955)
0	245	Notes Payable	(3,122,780)
9,051	90,234	Police and Fire Pension Loan	<u>(240,155)</u>
18,285	178,373		
14,727	67,986	<b>Total</b>	<b>(4,330,619)</b>
0	84		
69,504	399,403	<i>Net Position of Governmental Activities</i>	<u><u>\$27,016,510</u></u>
		See accompanying notes to the basic financial statements	
251,562	1,129,946		
685,106	2,212,744		
936,668	3,342,690		
3,000	47,619		
973,888	1,312,817		
0	131,751		
(6,135)	578,927		
970,753	2,071,114		
<u>\$1,976,925</u>	<u>\$5,813,207</u>		

**City of Girard, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2013*

	General	Garbage	Fire Levy	Bond Retirement	Capital Improvement
<b>Revenues</b>					
Property Taxes	\$223,170	\$383,607	\$285,625	\$0	\$0
Municipal Income Taxes	3,412,499	87,604	0	445,492	61,379
Special Assessments	11,783	0	0	0	0
Charges for Services	0	0	0	0	0
Fees, Licenses and Permits	230,128	0	0	0	0
Fines and Forfeitures	717,317	0	0	0	145,855
Intergovernmental	453,181	72,566	52,955	0	898,100
Interest	217	0	0	0	5
Rentals	20,504	0	0	0	0
Contributions and Donations	0	0	0	0	0
Other	178,923	0	0	0	0
<i>Total Revenues</i>	<u>5,247,722</u>	<u>543,777</u>	<u>338,580</u>	<u>445,492</u>	<u>1,105,339</u>
<b>Expenditures</b>					
Current:					
General Government	2,102,514	0	0	0	0
Security of Persons and Property	2,777,403	0	365,272	0	0
Public Health Services	125,843	0	0	0	0
Transportation	26,954	0	0	0	0
Community Development	0	0	0	0	0
Basic Utility Services	24,633	493,694	0	0	0
Leisure Time Activities	66,824	0	0	0	0
Capital Outlay	0	0	0	0	1,075,466
Debt Service:					
Principal Retirement	0	0	0	0	0
Principal Retirement - Current Refunding	0	0	0	3,122,780	0
Interest and Fiscal Charges	0	0	0	104,724	0
<i>Total Expenditures</i>	<u>5,124,171</u>	<u>493,694</u>	<u>365,272</u>	<u>3,227,504</u>	<u>1,075,466</u>
<i>Excess of Revenues</i>					
<i>Over (Under) Expenditures</i>	<u>123,551</u>	<u>50,083</u>	<u>(26,692)</u>	<u>(2,782,012)</u>	<u>29,873</u>
<b>Other Financing Sources</b>					
Sale of Capital Assets	3,270	0	0	0	0
Refunding Notes Issued	0	0	0	3,122,780	0
<i>Total Other Financing Sources</i>	<u>3,270</u>	<u>0</u>	<u>0</u>	<u>3,122,780</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	126,821	50,083	(26,692)	340,768	29,873
<i>Fund Balances (Deficit)</i>					
<i>Beginning of Year</i>	<u>658,474</u>	<u>16,971</u>	<u>6,496</u>	<u>(241,884)</u>	<u>139,451</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>\$785,295</u>	<u>\$67,054</u>	<u>(\$20,196)</u>	<u>\$98,884</u>	<u>\$169,324</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, 2013*

Other Governmental Funds	Total Governmental Funds
\$255,787	\$1,148,189
0	4,006,974
0	11,783
68,755	68,755
0	230,128
320,246	1,183,418
1,363,276	2,840,078
1,221	1,443
0	20,504
2,081	2,081
855	179,778
<u>2,012,221</u>	<u>9,693,131</u>
10,948	2,113,462
100,974	3,243,649
55,269	181,112
930,468	957,422
497,186	497,186
0	518,327
207,866	274,690
32,989	1,108,455
77,463	77,463
0	3,122,780
18,696	123,420
<u>1,931,859</u>	<u>12,217,966</u>
80,362	(2,524,835)
0	3,270
0	3,122,780
<u>0</u>	<u>3,126,050</u>
80,362	601,215
890,391	1,469,899
<u>\$970,753</u>	<u>\$2,071,114</u>

**Net Change in Fund Balances - Total Governmental Funds** \$601,215

***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	939,249	
Depreciation	<u>(1,587,237)</u>	
Total		(647,988)

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

Delinquent Property Taxes	(32,855)	
Income Taxes	(3,385)	
Intergovernmental	231,677	
Special Assessments	<u>(4,512)</u>	
Total		190,925

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. 3,200,243

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (602)

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. (22,218)

Other financing sources, such as refunding notes issued, in the governmental funds increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities. (3,122,780)

*Change in Net Position of Governmental Activities* \$198,795

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$220,246	\$220,246	\$223,170	\$2,924
Municipal Income Taxes	3,308,600	3,539,410	3,548,492	9,082
Fees, Licenses and Permits	218,700	218,700	195,434	(23,266)
Fines and Forfeitures	602,000	602,000	717,828	115,828
Intergovernmental	187,091	187,091	430,441	243,350
Interest	500	500	217	(283)
Rentals	25,000	25,000	19,075	(5,925)
Other	123,001	124,001	133,269	9,268
<i>Total Revenues</i>	4,685,138	4,916,948	5,267,926	350,978
<b>Expenditures</b>				
Current:				
General Government	1,742,982	1,980,224	2,027,910	(47,686)
Security of Persons and Property	2,908,626	3,037,464	2,855,410	182,054
Public Health Services	91,080	114,472	110,556	3,916
Transportation	13,010	23,980	26,667	(2,687)
<i>Total Expenditures</i>	4,755,698	5,156,140	5,020,543	135,597
<i>Excess of Revenues Over (Under) Expenditures</i>	(70,560)	(239,192)	247,383	486,575
<b>Other Financing Sources</b>				
Sale of Capital Assets	0	0	3,270	3,270
<i>Net Change in Fund Balance</i>	(70,560)	(239,192)	250,653	489,845
<i>Fund Balance Beginning of Year</i>	511,281	511,281	511,281	0
Prior Year Encumbrances Appropriated	5,600	5,600	5,600	0
<i>Fund Balance End of Year</i>	\$446,321	\$277,689	\$767,534	\$489,845

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, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$369,000	\$370,100	\$383,607	\$13,507
Municipal Income Taxes	81,092	81,092	90,997	9,905
Intergovernmental	72,296	72,550	72,566	16
<i>Total Revenues</i>	522,388	523,742	547,170	23,428
<b>Expenditures</b>				
Current:				
Basic Utility Services	534,500	534,500	534,130	370
<i>Net Change in Fund Balance</i>	(12,112)	(10,758)	13,040	23,798
<i>Fund Balance Beginning of Year</i>	47,021	47,021	47,021	0
<i>Fund Balance End of Year</i>	\$34,909	\$36,263	\$60,061	\$23,798

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, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$282,357	\$283,373	\$285,625	\$2,252
Intergovernmental	51,500	52,300	52,955	655
<i>Total Revenues</i>	<u>333,857</u>	<u>335,673</u>	<u>338,580</u>	<u>2,907</u>
<b>Expenditures</b>				
Current:				
Security of Persons and Property	<u>340,353</u>	<u>340,812</u>	<u>345,650</u>	<u>(4,838)</u>
<i>Net Change in Fund Balance</i>	(6,496)	(5,139)	(7,070)	(1,931)
<i>Fund Balance Beginning of Year</i>	<u>6,496</u>	<u>6,496</u>	<u>6,496</u>	<u>0</u>
<i>Fund Balance (Deficit) End of Year</i>	<u><u>\$0</u></u>	<u><u>\$1,357</u></u>	<u><u>(\$574)</u></u>	<u><u>(\$1,931)</u></u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2013*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Assets</b>				
<i>Current Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$271,030	\$216,697	\$487,727	\$746
Accounts Receivable	691,301	210,013	901,314	0
Special Assessments Receivable	33,084	12,461	45,545	0
Prepaid Items	10,500	17,403	27,903	0
Interfund Receivable	0	0	0	110,378
<i>Total Current Assets</i>	<u>1,005,915</u>	<u>456,574</u>	<u>1,462,489</u>	<u>111,124</u>
<i>Noncurrent Assets:</i>				
Nondepreciable Capital Assets	1,687,169	2,500,000	4,187,169	0
Depreciable Capital Assets, Net	3,048,351	4,906,801	7,955,152	0
<i>Total Noncurrent Assets</i>	<u>4,735,520</u>	<u>7,406,801</u>	<u>12,142,321</u>	<u>0</u>
<i>Total Assets</i>	<u>5,741,435</u>	<u>7,863,375</u>	<u>13,604,810</u>	<u>111,124</u>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts Payable	143,488	80,291	223,779	0
Contracts Payable	3,829	0	3,829	0
Accrued Wages	13,680	16,163	29,843	0
Intergovernmental Payable	197,932	28,529	226,461	0
Interfund Payable	22,748	25,558	48,306	0
Accrued Interest Payable	56,406	16,784	73,190	0
Compensated Absences Payable	43,203	47,868	91,071	0
Revenue Bonds Payable	203,025	75,091	278,116	0
OWDA Loans Payable	271,958	37,596	309,554	0
Claims Payable	0	0	0	111,124
<i>Total Current Liabilities</i>	<u>956,269</u>	<u>327,880</u>	<u>1,284,149</u>	<u>111,124</u>
<i>Long-Term Liabilities (net of current portion):</i>				
Compensated Absences Payable	39,994	95,425	135,419	0
Revenue Bonds Payable (net of current portion)	975,925	360,959	1,336,884	0
OWDA Loans Payable	413,386	103,687	517,073	0
<i>Total Long-Term Liabilities</i>	<u>1,429,305</u>	<u>560,071</u>	<u>1,989,376</u>	<u>0</u>
<i>Total Liabilities</i>	<u>2,385,574</u>	<u>887,951</u>	<u>3,273,525</u>	<u>111,124</u>
<b>Net Position</b>				
Net Investment in Capital Assets	2,871,226	6,829,468	9,700,694	0
Unrestricted	484,635	145,956	630,591	0
<i>Total Net Position</i>	<u>\$3,355,861</u>	<u>\$6,975,424</u>	<u>\$10,331,285</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2013*

	Enterprise			Internal Service
	Water	Sewer	Total	
<b>Operating Revenues</b>				
Charges for Services	\$3,366,944	\$1,790,526	\$5,157,470	\$1,518,564
Special Assessments	6,766	0	6,766	0
<i>Total Operating Revenues</i>	<u>3,373,710</u>	<u>1,790,526</u>	<u>5,164,236</u>	<u>1,518,564</u>
<b>Operating Expenses</b>				
Personal Services	808,890	1,089,263	1,898,153	0
Materials and Supplies	260,831	304,365	565,196	0
Contractual Services	2,044,378	486,269	2,530,647	287,987
Depreciation	74,133	179,978	254,111	0
Claims	0	0	0	1,230,577
Other	53,849	5,040	58,889	0
<i>Total Operating Expenses</i>	<u>3,242,081</u>	<u>2,064,915</u>	<u>5,306,996</u>	<u>1,518,564</u>
<i>Operating Income (Loss)</i>	<u>131,629</u>	<u>(274,389)</u>	<u>(142,760)</u>	<u>0</u>
<b>Non-Operating Revenues (Expenses)</b>				
Grants	12,399	17,964	30,363	0
Interest and Fiscal Charges	(105,827)	(21,285)	(127,112)	0
Other Non-Operating Expenses	15,487	14,355	29,842	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(77,941)</u>	<u>11,034</u>	<u>(66,907)</u>	<u>0</u>
<i>Change in Net Position</i>	53,688	(263,355)	(209,667)	0
<i>Net Position Beginning of Year (Restated - See Note 3)</i>	<u>3,302,173</u>	<u>7,238,779</u>	<u>10,540,952</u>	<u>0</u>
<i>Net Position End of Year</i>	<u><u>\$3,355,861</u></u>	<u><u>\$6,975,424</u></u>	<u><u>\$10,331,285</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2013

	Enterprise			Internal Service
	Water	Sewer	Total	
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>				
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$3,304,098	\$1,774,873	\$5,078,971	\$0
Cash Received from Interfund Services Provided	0	0	0	1,506,742
Cash Payments to Employees for Services	(756,272)	(1,119,580)	(1,875,852)	0
Cash Payments for Goods and Services	(2,106,533)	(761,478)	(2,868,011)	(287,987)
Cash Payments for Claims	0	0	0	(1,218,726)
Other Cash Payments	(53,849)	(5,040)	(58,889)	0
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>387,444</u>	<u>(111,225)</u>	<u>276,219</u>	<u>29</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
<b>Financing Activities</b>				
Grants Received	12,399	17,964	30,363	0
Non-Operating Revenues Received	15,487	14,355	29,842	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>27,886</u>	<u>32,319</u>	<u>60,205</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from Sale of Revenue Bonds	1,178,950	436,050	1,615,000	0
Payments for Capital Acquisitions	(1,164,104)	(419,850)	(1,583,954)	0
Principal Paid on OWDA Loans	(255,395)	(35,558)	(290,953)	0
Interest Paid on OWDA Loans	(79,510)	(9,497)	(89,007)	0
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(320,059)</u>	<u>(28,855)</u>	<u>(348,914)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	95,271	(107,761)	(12,490)	29
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>175,759</u>	<u>324,458</u>	<u>500,217</u>	<u>717</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$271,030</u>	<u>\$216,697</u>	<u>\$487,727</u>	<u>\$746</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>				
Operating Income (Loss)	<u>\$131,629</u>	<u>(\$274,389)</u>	<u>(\$142,760)</u>	<u>\$0</u>
Adjustments:				
Depreciation	74,133	179,978	254,111	0
<i>(Increase) Decrease in Assets:</i>				
Accounts Receivable	(62,846)	(19,092)	(81,938)	0
Special Assessments Receivable	(6,766)	3,439	(3,327)	0
Prepaid Items	0	(2,360)	(2,360)	0
Interfund Receivable	0	0	0	(11,822)
<i>Increase (Decrease) in Liabilities:</i>				
Accounts Payable	138,060	54,317	192,377	0
Contracts Payable	3,829	(22,563)	(18,734)	0
Accrued Wages	921	(2,561)	(1,640)	0
Claims Payable	0	0	0	11,851
Compensated Absences Payable	42,350	(15,223)	27,127	0
Intergovernmental Payable	52,384	(13,476)	38,908	0
Interfund Payable	13,750	705	14,455	0
<i>Total Adjustments</i>	<u>255,815</u>	<u>163,164</u>	<u>418,979</u>	<u>29</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$387,444</u>	<u>(\$111,225)</u>	<u>\$276,219</u>	<u>\$29</u>

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2013*

	Private Purpose Trust	
	Memorial	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,635	\$0
Cash and Cash Equivalents in Segregated Accounts	0	33,473
<i>Total Assets</i>	2,635	\$33,473
<b>Liabilities</b>		
Undistributed Monies	0	\$33,473
<b>Net Position</b>		
Held in Trust for Endowment	\$2,635	

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, 2013*

	Private Purpose Trust
	Memorial
<b>Additions</b>	
Interest	\$1
<b>Deductions</b>	
Materials and Supplies	313
<i>Change in Net Position</i>	(312)
<i>Net Position Beginning of Year</i>	2,947
<i>Net Position End of Year</i>	\$2,635

See accompanying notes to the basic financial statements

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

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

***Reporting Entity***

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

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

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

The City participates in the Eastgate Development and Transportation Agency and the Emergency Management Agency, both jointly governed organizations. These organizations are presented in Note 19 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, 2013*

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

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

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

**Fund Accounting**

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

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

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

***Capital Improvement Fund*** – The capital improvement fund accounts for and reports income tax receipts and grant money that are restricted for major capital projects undertaken by the City.

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 fund accounts for and reports construction deposits.

***Measurement Focus***

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance year 2014 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental local and state monies and homestead and rollback. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

***Cash and Cash Equivalents***

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

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

During 2013, investments were limited to PNC money market mutual funds reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2013 amount to \$217, of which none was assigned from other City funds.

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

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

***Restricted Assets***

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



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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***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 or not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

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

For 2013, the City reported infrastructure consisting of streets, sidewalks and curbs and includes infrastructure acquired prior to December 31, 1980.

***Interfund Balances***

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

***Compensated Absences***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund(s) from which the employees who have resigned or retired will be paid.

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

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

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

***Fund Balance***

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

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

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

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

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



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

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

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

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

***Net Position***

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

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

***Operating Revenues and Expenses***

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

***Estimates***

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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***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 – Changes in Accounting Principles and Restatement of Prior Net Position**

***Change in Accounting Principles***

For 2013, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB 14 and 34." This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change in the City's financial statements.

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

During the year, it was determined that long-term liabilities corresponding to compensated absences payable were understated by \$220,653. This restatement decreased governmental activities net position at December 31, 2012 from \$27,038,368 to \$26,817,715.

During the year, it was determined that enterprise funds' compensated absences payable were understated. This had the following effect on net position of the enterprise funds as previously reported.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2013

	Water	Sewer	Total Enterprise
Net Position, December 31, 2012	\$3,320,077	\$7,276,856	\$10,596,933
Compensated Absences Payable	(17,904)	(38,077)	(55,981)
Adjusted Net Position, December 31, 2012	<u>\$3,302,173</u>	<u>\$7,238,779</u>	<u>\$10,540,952</u>

**Note 4 – Compliance and Accountability**

**Compliance**

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

Fund/Function	Object	Appropriations	Expenditures Plus Encumbrances	Variance
<b>General Fund Unassigned</b>				
<i>General Government</i>				
City Hall	Other	\$175,700	\$190,370	(\$14,670)
Engineer	Other	5,500	10,315	(4,815)
<i>Security of Persons and Property</i>				
Police	Personel Services	1,558,244	1,572,448	(14,204)
Street Lighting	Other	96,000	113,312	(17,312)
<i>Transportation</i>				
Elderly Bus Driver	Personel Services	23,980	26,667	(2,687)
<b>General Fund Assigned</b>				
<i>General Government</i>				
Trailer Park	Other	0	1,204	(1,204)
Agency Reimbursement	Other	0	66,836	(66,836)
<i>Public Health and Welfare</i>				
Home Health Nursing	Other	5,969	7,519	(1,550)
<i>Leisure Time Activities</i>				
Swimming Pools	Other	1,436	3,088	(1,652)
<b>Street Construction</b>				
<i>Transportation</i>	Other	234,135	254,576	(20,441)
<b>Fire Levy</b>				
<i>Security of Persons and Property</i>	Personel Services	313,497	318,335	(4,838)
<b>Municipal Court Probation Service</b>				
<i>Community Development</i>	Other	224,000	249,505	(25,505)
<b>Water</b>	Personel Services	682,900	756,272	(73,372)
<b>Sewer Rental</b>	Personel Services	1,090,000	1,119,580	(29,580)
<b>Hospitalization</b>	Other	1,600,000	13,085,960	(11,485,960)

The City had a negative cash balance of \$574, \$3,941 and \$5,340 in the fire levy, weed cutting and Police Pension funds, respectively, indicating that revenue from other sources were used to pay obligations of this fund contrary to Ohio Revised Code Section 5705.10.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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**Accountability**

Fund balances at December 31, 2013, include the following individual fund deficits:

	<u>Deficit Fund Balances</u>
<i>Major Funds:</i>	
Fire Levy	\$20,196
<i>Special Revenue Funds:</i>	
Elderly Bus Fare	795
Police Pension	5,340

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

**Note 5 - Budgetary Basis of Accounting**

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
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Net Change in Fund Balances

	General	Garbage	Fire Levy
GAAP Basis	\$126,821	\$50,083	(\$26,692)
Net Adjustment for Revenue Accruals	127,706	7,835	0
Beginning Unrecorded Cash	68,827	(4,442)	0
Perspective Difference:			
Health	(13,965)	0	0
Recreation	(10,781)	0	0
EPA Grant	24,582	0	0
Federal Assistance	4,077	0	0
Net Adjustment for Expenditures Accruals	(5,970)	(40,436)	19,622
Encumbrances	(70,644)	0	0
Budget Basis	\$250,653	\$13,040	(\$7,070)

**Note 6 - Deposits and Investments**

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

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

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

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

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

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

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

**Investments**

Investments are reported at fair value. As of December 31, 2013, the City's only investment was a money market account with a fair value of \$88,858.

**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 7 - Fund Balances**

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

**City of Girard, Ohio**  
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For The Year Ended December 31, 2013

Fund Balances	General	Garbage	Fire Levy	Bond Retirement	Capital Improvement	Other Governmental Funds	Total
<b><i>Nonspendable</i></b>							
Prepays	\$15,118	\$0	\$0	\$0	\$0	\$3,000	\$18,118
Unclaimed Monies	29,501	0	0	0	0	0	29,501
<b><i>Total Nonspendable</i></b>	<b>44,619</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,000</b>	<b>47,619</b>
<b><i>Restricted for</i></b>							
General Government	0	0	0	0	0	47,971	47,971
Public Safety	3,662	0	0	0	0	15,370	19,032
Fire Pension	0	0	0	0	0	10,750	10,750
Senior Activities	0	0	0	0	0	2,453	2,453
Street Maintenance	0	0	0	0	0	329,600	329,600
Garbage Disposal	0	67,054	0	0	0	0	67,054
Landfill	5	0	0	0	0	0	5
Public Health and Welfare	0	0	0	0	0	140,335	140,335
Community Development	0	0	0	0	0	314,511	314,511
Debt Service	0	0	0	98,884	0	0	98,884
Capital Improvements	0	0	0	0	169,324	112,898	282,222
<b><i>Total Restricted</i></b>	<b>3,667</b>	<b>67,054</b>	<b>0</b>	<b>98,884</b>	<b>169,324</b>	<b>973,888</b>	<b>1,312,817</b>
<b><i>Assigned to</i></b>							
Public Health and Welfare	80,636	0	0	0	0	0	80,636
Purchases on Order	51,115	0	0	0	0	0	51,115
<b><i>Total Assigned</i></b>	<b>131,751</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>131,751</b>
<b><i>Unassigned (Deficit)</i></b>	<b>605,258</b>	<b>0</b>	<b>(20,196)</b>	<b>0</b>	<b>0</b>	<b>(6,135)</b>	<b>578,927</b>
<b><i>Total Fund Balances</i></b>	<b>\$785,295</b>	<b>\$67,054</b>	<b>(\$20,196)</b>	<b>\$98,884</b>	<b>\$169,324</b>	<b>\$970,753</b>	<b>\$2,071,114</b>

**Note 8 - Receivables**

Receivables at December 31, 2013, consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements and shared revenues, special assessments, and accounts (billings for utility service).

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

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

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2013 for real and public utility property taxes represents collections of 2012 taxes.



**City of Girard, Ohio**  
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2013 real property taxes were levied after October 1, 2013, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014.

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. 2013 public utility property taxes which became a lien December 31, 2012, are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2013, was \$13.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Residential/Agricultural	\$88,777,680
Other Real Estate	21,121,920
Tangible Personal Property	
Public Utility	4,105,820
Total Assessed Values	\$114,005,420

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, 2013, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2013 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: 84.7 percent went to the general fund (January through April) and 82.4 percent (May through December), 11.5 percent went to the general obligation bond retirement fund (January through December), 2.2 percent went to the garbage fund (January through December), 1.6 percent went to the recreation fund (January through December) and 2.3 percent went to the capital improvement fund (May through December).



**City of Girard, Ohio**  
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For The Year Ended December 31, 2013

***Intergovernmental Receivables***

A summary of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
CHIPS Grant	\$429,685
Gasoline and Municipal Cents per Gallon	184,422
Homestead and Rollback	105,688
Permissive Tax	72,091
Local Government	68,576
Municipal Court	50,142
Motor Vehicle License Tax	40,587
Commercial Activity Tax	290
Total	\$951,481

**Note 9 - Capital Assets**

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
<b>Business Type Activities:</b>				
<b><i>Capital Assets not being Depreciated:</i></b>				
Land	\$4,187,169	\$0	\$0	\$4,187,169
<b><i>Capital Assets being Depreciated:</i></b>				
Buildings	7,028,774	0	0	7,028,774
Building Improvements	3,540,000	0	0	3,540,000
Furniture and Equipment	505,990	1,555,000	0	2,060,990
Vehicles	316,354	28,954	0	345,308
Infrastructure	1,009,147	0	0	1,009,147
Total Capital Assets being Depreciated	12,400,265	1,583,954	0	13,984,219
<b><i>Less Accumulated Depreciation:</i></b>				
Buildings	(2,154,400)	(63,898)	0	(2,218,298)
Building Improvements	(2,433,024)	(58,791)	0	(2,491,815)
Furniture and Equipment	(266,698)	(89,522)	0	(356,220)
Vehicles	(248,304)	(21,717)	0	(270,021)
Infrastructure	(672,530)	(20,183)	0	(692,713)
Total Accumulated Depreciation	(5,774,956)	(254,111)	0	(6,029,067)
Total Capital Assets being Depreciated, Net	6,625,309	1,329,843	0	7,955,152
Business Type Activities Capital Assets, Net	\$10,812,478	\$1,329,843	\$0	\$12,142,321

**City of Girard, Ohio**  
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For The Year Ended December 31, 2013

<b>Governmental Activities</b>	Balance 12/31/2012	Additions	Deductions	Balance 12/31/2013
<b>Capital Assets not being Depreciated:</b>				
Land	\$1,073,640	\$0	\$0	\$1,073,640
<b>Capital Assets being Depreciated:</b>				
Buildings	9,075,756	0	0	9,075,756
Building Improvements	168,295	0	0	168,295
Furniture and Equipment	1,684,079	21,744	0	1,705,823
Vehicles	1,180,621	917,505	(119,000)	1,979,126
Infrastructure:				
Streets	52,555,453	0	0	52,555,453
Sidewalks	12,893,760	0	0	12,893,760
Curbs	2,038,640	0	0	2,038,640
<b>Total Capital Assets being Depreciated</b>	<b>79,596,604</b>	<b>939,249</b>	<b>(119,000)</b>	<b>80,416,853</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	(2,276,521)	(81,583)	0	(2,358,104)
Building Improvements	(94,096)	(5,884)	0	(99,980)
Furniture and Equipment	(1,492,664)	(35,624)	0	(1,528,288)
Vehicles	(549,516)	(114,389)	119,000	(544,905)
Infrastructure:				
Streets	(37,792,926)	(1,051,109)	0	(38,844,035)
Sidewalks	(9,283,507)	(257,875)	0	(9,541,382)
Curbs	(1,467,821)	(40,773)	0	(1,508,594)
<b>Total Accumulated Depreciation</b>	<b>(52,957,051)</b>	<b>(1,587,237) *</b>	<b>119,000</b>	<b>(54,425,288)</b>
<b>Total Capital Assets being Depreciated, Net</b>	<b>26,639,553</b>	<b>(647,988)</b>	<b>0</b>	<b>25,991,565</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$27,713,193</b>	<b>(\$647,988)</b>	<b>\$0</b>	<b>\$27,065,205</b>

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

General Government	\$71,504
Security of Persons and Property	108,427
Public Health Services	5,786
Transportation	1,087,087
Community Development	300,506
Basic Utility Services	7,805
Leisure Time Activities	6,122
<b>Total Depreciation Expense</b>	<b>\$1,587,237</b>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2013

**Note 10 - Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue	Year of Maturity
<b>Business-Type Activities:</b>			
<i>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
<b>Governmental Activities:</b>			
Ohio Public Works Commission Loan	0.00	18,571	2019
Police and Fire Pension	4.25	377,328	2035
Notes Payable	3.22	3,122,780	2016

A schedule of changes in bonds and other long-term obligations of the City during 2013 follows:

	Amount Outstanding 12/31/2012	Additions	Deletions	Amount Outstanding 12/31/2013	Amounts Due In One Year
<b>Business-Type Activities:</b>					
<i>Special Obligation Bonds</i>					
Water System Revenue Bonds	\$0	\$1,615,000	\$0	\$1,615,000	\$278,116
<i>Ohio Water Development Authority Loans</i>					
OWDA Water and Sewer Loan	269,164	0	(54,122)	215,042	57,223
Water Distribution	162,924	0	(28,696)	134,228	30,520
Lakes Project	617,878	0	(192,430)	425,448	205,650
Liberty Water	16,100	0	(3,209)	12,891	3,413
Liberty Street Waterline Replacement	51,514	0	(12,496)	39,018	12,748
Total Ohio Water Development Authority Loans	1,117,580	0	(290,953)	826,627	309,554
Compensated Absences	199,363	40,678	(13,551)	226,490	91,071
<b>Total Business-Type Activities Obligations</b>	<b>\$1,316,943</b>	<b>\$1,655,678</b>	<b>(\$304,504)</b>	<b>\$2,668,117</b>	<b>\$678,741</b>
<b>Governmental Activities Obligations:</b>					
Notes Payable	\$3,122,780	\$3,122,780	(\$3,122,780)	\$3,122,780	\$0
Ohio Public Works Commission Loan	60,164	0	(8,595)	51,569	8,595
Capital Lease	228,270	0	(62,110)	166,160	64,550
Compensated Absences	727,737	67,410	(45,192)	749,955	252,344
Police and Fire Pension	246,913	0	(6,758)	240,155	7,057
<b>Total Governmental Activities Obligations</b>	<b>\$4,385,864</b>	<b>\$3,190,190</b>	<b>(\$3,245,435)</b>	<b>\$4,330,619</b>	<b>\$332,546</b>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

Special Obligation bonds and OWDA loans will be paid from water and sewer enterprise fund user service charges. The OPWC loan payable will be paid with monies from the street construction maintenance and repair special revenue fund. Compensated absences will be paid from the following funds: the general fund, the street construction maintenance and repair special revenue fund and the water and sewer enterprise funds. The capital lease will be paid from the street permissive tax special revenue fund. The City pays semi-annual installments on the police and fire pension liability incurred when the State of Ohio established the statewide pension system for police and firemen in 1967.

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

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

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the water fund. The debt is payable solely from net revenues and are payable through 2017. Annual principal and interest payments on the debt issues required more than 100 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$763,516. Principal and interest paid for the current year and total net revenues were \$315,154 and (\$281,207) respectively.

The City has pledged future revenues, net of operating expenses, to repay OWDA loans in the sewer fund. The debt is payable solely from net revenues and are payable through 2017. Annual principal and interest payments on the debt issues required more than 100 percent of net revenues. The total principal and interest remaining to be paid on the loans is \$157,692. Principal and interest paid for the current year and total net revenues were \$45,055 and \$213,846 respectively.

The City's overall legal debt margin was \$8,796,220 at December 31, 2013. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013, are as follows:

Business-Type Activities:

	<u>OWDA Loans</u>		<u>Special Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$309,554	\$50,654	278,116	82,879
2015	329,394	30,813	317,081	43,914
2016	115,621	9,709	328,243	32,752
2017	72,058	3,405	339,799	21,196
2018	0	0	351,761	9,235
Total	<u>\$826,627</u>	<u>\$94,581</u>	<u>\$1,615,000</u>	<u>\$189,976</u>

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

Governmental Activities:

	Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal
	2014	\$7,057	\$10,116
2015	7,370	9,803	8,595
2016	7,696	9,477	8,595
2017	8,036	9,137	8,595
2018	8,389	8,784	8,595
2019-2023	47,610	38,255	8,594
2024-2028	57,559	28,306	0
2029-2033	67,148	18,717	0
2034-2035	29,290	5,055	0
Total	\$240,155	\$137,650	\$51,569

**Note 11 - Compensated Absences**

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

**Note 12 - Contingencies**

*Litigation*

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

*Grants*

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2013.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

**Note 13 – Capital Lease**

In 2011, the City entered into a capital lease for three 2012 freightliners with Myers snow and ice lifts classified as vehicles. The lease meets the criteria for a capital lease 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, 2013 are as follows:

	Amounts
Vehicles	\$323,229
Less: Accumulated Depreciation	(96,969)
Current Book Value	\$226,260

The following is a schedule of the future minimum leases payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013.

	Amounts
2014	\$70,392
2015	70,392
2016	35,196
Total Minimum Lease Payments	175,980
Less: Amount representing interest	(9,820)
Present Value of Minimum Lease Payments	\$166,160

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

**Note 14 – Note Debt**

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

	Balance 12/31/12	Additions	Reductions	Balance 12/31/13
Justice Center	\$215,226	\$0	\$215,226	\$0
Street Widening Project	132,039	0	132,039	0
Total	\$347,265	\$0	\$347,265	\$0

During 2012, the City issued \$347,265 in various purpose notes for the justice center and street widening project. These notes matured on July 19, 2013.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

**Note 15 - Risk Management**

***Property and Liability***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, the City contracted with US Specialty Insurance Company for various types of insurance as follows:

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

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

***Employee Insurance Benefits***

The City has elected to provide vision, dental, prescription drug, and hospital/medical benefits to its employees through a self insured program. The maintenance of these benefits is accounted for in the Hospitalization Internal Service fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$45,000 per individual and \$1,600,000 for the City as a whole. Incurred but not reported claims of \$111,124 have been accrued as a liability based on a review of January 2014 billings provided by the City Auditor's Office.

The claims liability of \$111,124 reported in the internal service fund at December 31, 2013 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 2012 and 2013 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2012	\$78,746	\$1,019,538	\$999,011	\$99,273
2013	99,273	1,230,577	1,218,726	111,124

***Workers' Compensation***

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



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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**Note 16 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed two percent. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 12.0 percent and 12.6 percent, respectively. Effective January 1, 2014, the member contribution rates for law enforcement increased to 13 percent. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.10 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care for members was 1.0 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$333,041, \$227,391 and \$224,395 respectively. For 2013, 92.53 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. There were no contributions to the member-directed plan for 2013.



**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

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

Funding Policy – Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, thru July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, thru December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent and 24 percent respectively for police officers and firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. For January 1, 2013, thru May 31, 2013, the portion of employer contributions used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, thru December 31, 2013, the portion of employer contributions used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$143,318 and \$136,223 for the year ended December 31, 2013, \$119,074 and \$143,486 for the year ended December 31, 2012, and \$132,619 and \$149,916 for the year ended December 31, 2011, respectively. For 2013, 91.46 percent for police and 89.21 percent for firefighters has been contributed with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2013, the unfunded liability of the City was \$240,155 payable in semi-annual payments through the year of 2035. This is an accounting liability of the City which will not vary.

**Note 17 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

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

The City’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$25,619, \$90,957, and \$89,758, respectively. For 2013, 92.53 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

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

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

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

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, thru May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, thru December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$32,634 and \$24,170 for the year ended December 31, 2013, \$63,039 and \$56,146 for the year ended December 31, 2012, and \$70,210 and \$58,663 for the year ended December 31, 2011. For 2013, 91.46 percent has been contributed for police and 89.21 percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
For The Year Ended December 31, 2013

**Note 18 - Interfund Balances**

Interfund balances at December 31, 2013, consisted of (1) a \$5,914 interfund receivable/payable between the general fund and the fire levy and police pension funds due to negative cash and (2) a \$110,378 interfund receivable/payable between the internal service fund and the various governmental and enterprise funds due to the City moving monies to pay claims when funds are needed rather than when claims are incurred.

Interfund Payable	Interfund Receivable		
	General	Internal Service	Total
<i>Major Funds:</i>			
General	\$0	\$52,685	\$52,685
Fire Levy	574	0	574
<i>Total Major Funds</i>	<u>574</u>	<u>52,685</u>	<u>53,259</u>
<i>Other Governmental Funds:</i>			
Street Construction, Maintenance & Repair	0	9,370	9,370
Police Pension	5,340	0	5,340
Cemetery	0	17	17
<i>Total Other Governmental Funds</i>	<u>5,340</u>	<u>9,387</u>	<u>14,727</u>
Water	0	22,748	22,748
Sewer	0	25,558	25,558
<i>Total Enterprise Funds</i>	<u>0</u>	<u>48,306</u>	<u>48,306</u>
<i>Totals</i>	<u>\$5,914</u>	<u>\$110,378</u>	<u>\$116,292</u>

**Note 19 - Jointly Governed Organizations**

***Eastgate Development and Transportation Agency***

The Eastgate Development and Transportation Agency (EDATA) is committed to fostering cooperative regional efforts in the planning, programming, and implementation of public sector activities. EDATA has forty-eight participating members. These include representatives from Trumbull County, Mahoning County, township trustees, cities and villages. The operation of EDATA is controlled by a general policy board which consists of a representative from each member. Funding comes from each of the members. In 2013, 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.

***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 2013, 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.

**City of Girard, Ohio**  
*Notes to the Basic Financial Statements*  
*For The Year Ended December 31, 2013*

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**Note 20 – Significant Commitments**

***Encumbrances***

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

<b><i>Governmental Funds:</i></b>		<b><i>Proprietary Funds:</i></b>	
General	\$70,644	Water fund	\$97,030
Other Governmental Funds	55,869	Sewer fund	45,726
Total Governmental	<u>\$126,513</u>	Hospitalization fund	11,579,247
		Total Proprietary	<u>\$11,722,003</u>
		<b><i>Agency Fund:</i></b>	<u>\$2,100</u>

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

To the Members of City Council  
City of Girard, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Girard, Trumbull County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Girard, Ohio's basic financial statements, and have issued our report thereon dated September 17, 2014, wherein we noted that the City restated its net position due to an understatement of compensated absences payable were understated for governmental activities and enterprise funds.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Girard, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Girard, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Girard, Ohio's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as **Finding 2013-001**, **Finding 2013-002**, and **Finding 2013-003** in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2013-004** to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Girard, Ohio's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of material noncompliance that is required to be reported under *Government Auditing Standards* and which is described as **Finding 2013-005** in the accompanying Schedule of Findings and Questioned Costs.

### **City of Girard, Ohio's Responses to Findings**


The City of Girard, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Girard, Ohio's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Girard, Ohio's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Girard, Ohio's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**James G. Zupka,**  
**CPA, President**

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

 Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jgzcpa@sbcglobal.net, c=US  
Date: 2014.09.30 17:36:08 -04'00'

September 17, 2014

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

*Certified Public Accountants  
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**REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Members of City Council  
City of Girard, Ohio

The Honorable Dave Yost  
Auditor of State  
State of Ohio

**Report on Compliance for Each Major Federal Program**

We have audited the City of Girard, Trumbull County, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Girard, Ohio's major federal program for the year ended December 31, 2013. The City of Girard, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of the City of Girard, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Girard, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



## Opinion on Each Major Federal Program

In our opinion, the City of Girard, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

## Report on Internal Control Over Compliance

Management of the City of Girard, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Girard, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Girard, Ohio's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Digitally signed by James G. Zupka, CPA, President  
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September 17, 2014

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Homeland Security</u></b>		
<i>Passed through Federal Emergency Management Agency</i>		
Assistance to Firefighters Grant	97.044	\$ 852,962
<b>Total U.S. Department of Homeland Security</b>		<u>852,962</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Passed Through State of Ohio</i>		
Community and Development Block Grants	14.228	<u>59,613</u>
Community Home Investment Program	14.239	<u>183,926</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>243,539</u>
<b><u>U.S. Department of Justice</u></b>		
<i>Passed Through Ohio Department of Public Safety, Office of Criminal Justice Services</i>		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>2,912</u>
<b>Total U.S. Department of Justice</b>		<u>2,912</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 1,099,413</u>

See accompanying notes to the supplemental Schedule of Federal Awards.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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NOTE 1: **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE 2: **MATCHING REQUIREMENTS**

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE 3: **PROGRAM INCOME**

The City of Girard, Ohio, uses federal funds received in the current and prior years to issue revolving loans. These loans are issued to a company and are to be repaid to the City in monthly installments. Principal received on these loans may be used to issue new loans. The principal outstanding at December 31, 2013 was \$74,355. The program income represents interest revenue earned from the revolving loans and bank accounts and repayments of loans of \$896. These amounts were subject to single audit procedures.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2013**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2013(i)	Type of Financial Statement Opinion	Unmodified
2013(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
2013(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
2013(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2013(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2013(v)	Type of Major Programs' Compliance Opinions	Unmodified
2013(vi)	Are there any reportable audit findings under .510(a)?	No
2013(vii)	Major Programs (list):  Assistance to Firefighters Grant - CFDA #97.044	
2013(viii)	Dollar Threshold: A/B Programs	Type A: \$300,000 Type B: All Others
2013(ix)	Low Risk Auditee?	No

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2013  
(CONTINUED)**

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

**Finding Number 2013-001 - Material Weakness - Water and Sewer Billing**

Condition/Criteria

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

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

Cause/Effect

These weaknesses can result in the following:

1. Under or over billing to residents, thereby causing the City to not collect proper revenues.
2. Untimely billing and collection of revenues owed to the City.
3. The City is not collecting on delinquent accounts or removal of uncollectible amounts.

Recommendation

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

City's Response

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

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2013  
(CONTINUED)**

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

**Finding Number 2013-002 - Material Weakness - Bank Reconciliations**

Condition/Criteria

Timely preparation of complete and accurate bank reconciliations are necessary in order to maintain adequate control over both cash receipts and disbursements. During our testing of the City's bank reconciliations for 2013, we noted that the City is carrying a large volume of reconciling items from month to month. These items were not posted into the accounting system. As a result, the book balance is understated in the system. If reconciling items are not cleared on a regular basis, they become harder to track and identify, and can be incorrectly categorized or missed entirely, which directly affects the cash balance on the City's books.

When testing the Outstanding Check List for 2013, we noted there were a significant number of outstanding items on the list. These items should be removed from the Outstanding Check List when they become a year old, and any funds payable should be moved to the Unclaimed Funds account. This will reduce the chance of possible errors on the bank reconciliation, as well as reduce the number of items that have to be tracked.

Cause/Effect

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

Recommendation

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

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

City's Response

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

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2013  
(CONTINUED)**

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

**Finding Number 2013-003 - Material Weakness - Internal Controls over Financial Reporting**

Condition/Criteria

Financial reporting is the responsibility of the City's Finance Department and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

During the annual financial statement preparation process, management identified the following errors to the financial statements.

1. Restatement of Net Position at December 31, 2012, in the amount of \$220,653, \$17,904, and \$38,077 for the Governmental Activities, the Water Fund, and the Sewer Fund, respectively, to record liability for vacation time earned in 2012 that will be used in 2013.
2. Understatement of compensated absence liability of \$219,601, \$36,980, and \$39,062 in Governmental Activities, the Water Fund, and the Sewer Fund, respectively, as a result of the City not recording vacation time earned in 2013 to be taken in 2014.
3. Overstatement of income tax revenue of \$366,639 as a result of improper documentation of amount received within the available period.
4. Understatement of intergovernmental receivable of \$72,685 due to not including grant funds requested in December 2013 but not received until January 2014

As a result, audit adjustments have been proposed and made to correct the financial activity for 2013.

Cause/Effect

The changes in financial presentation for vacation time resulted in a prior period adjustment to the various funds as noted above. Also, the lack of controls over financial reporting can result in errors and irregularities that may go undetected and decrease the reliability of financial data at year end.

Recommendation

We recommend that the City implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect, and correct potential misstatements in the financial statements.

City's Response

The City will implement the recommendation.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2013  
(CONTINUED)**

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

**Finding Number 2013-004 - Significant Deficiency - Health Insurance SOC-1 Report**

Condition/Criteria

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

Cause/Effect

By not reviewing HPA's SOC 1 report and HPA's controls, the City does not have assurance whether HPA has proper controls in place and if they are effective.

Recommendation

We recommend that the City request an annual report from HPA under Statement of Auditing Standards on Reporting on Controls Placed in Operation and Effectiveness of a Service Organization Control covering the City's claims processing system. In the event HPA does not agree to have the reporting on the control report prepared, as an alternative the City should have qualified consultants, selected by the City, perform procedures to test the adequacy of the internal controls over the claims processing system.

City's Response

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



**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & §.505  
DECEMBER 31, 2013  
(CONTINUED)**

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

**Finding Number 2013-005 - Material Noncompliance - Expenditures Plus Encumbrances Exceeding Appropriations Plus Prior Year Encumbrances**

Condition/Criteria

Ohio Revised Code Section 5705.41(B) prohibits a City from expending money unless it has been appropriated.

Cause/Effect

During our review of budgetary procedures, we noted that the following funds had expenditures plus encumbrances that exceeded appropriations plus prior year encumbrances, which is contrary to Ohio Revised Code Section 5705.41(B).

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
General Fund			
Police - Personnel Services	\$ 1,558,244	\$ 1,572,448	\$ (14,204)
Elderly Bus Drive - Personnel Services	23,980	26,667	(2,687)
City Hall - Other	175,700	190,370	(14,670)
Engineer - Other	5,500	10,315	(4,815)
Street Lighting - Other	96,000	113,312	(17,312)
Street Construction Fund - Other	234,135	254,576	(20,441)
Hospitalization Fund - Other	1,600,000	13,085,960	(11,485,960)
Home Health Nursing Fund - Other	5,969	7,519	(1,550)
Swimming Pool Fund - Other	1,436	3,088	(1,652)
Fire Levy Fund - Personnel Services	313,497	318,335	(4,838)
Water Fund - Personnel Services	682,900	756,272	(73,372)
Sewer Rental Fund - Personnel Services	1,090,000	1,119,580	(29,580)
Municipal Court Probation Services Fund - Other	224,000	249,505	(25,505)
Agency Reimbursement Fund - Other	0	66,836	(66,836)
Trailer Park Fund - Other	0	1,204	(1,204)

Recommendation

We recommend that the City exercise due care to ensure expenditures plus encumbrances do not exceed appropriations plus prior year encumbrances. This will assist the City in avoiding negative fund balances and also ensure the City is in compliance with Ohio Revised Code Section 5705.41(B).

City's Response

The City will implement the recommendation.

**CITY OF GIRARD  
TRUMBULL COUNTY, OHIO  
SCHEDULE OF PRIOR FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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The prior issued audit report, as of December 31, 2012, included the following:

Finding Number	Finding Summary	Fully Corrected ?
2012-01	Water and Sewer Billing Collection	No. Repeated as Finding 2013-001.
2012-02	Bank Reconciliations	No. Repeated as Finding 2013-002.
2012-03	Financial Reporting	No. Repeated as Finding 2013-003.
2012-04	Health Insurance SOC-1 Report	No. Repeated as Finding 2013-004.
2012-05	Injury Pay	Yes

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



# Dave Yost • Auditor of State

**CITY OF GIRARD**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 21, 2014**