



Dave Yost • Auditor of State

**City of Galion
Crawford County**

Financial Emergency Termination

Local Government Services

City of Galion, Crawford County

Fiscal Emergency Termination

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Dave Yost • Auditor of State

CERTIFICATION

Pursuant to a request sent to the Auditor of State by the Financial Planning and Supervision Commission for the City of Galion, the Auditor of State performed an analysis of the City of Galion to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated. Based on the analysis, the Auditor of State certifies, as required by Section 118.27 of the Revised Code, that the City of Galion no longer meets the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, that the objectives of the financial recovery plan have been met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the Financial Planning and Supervision Commission of the City of Galion and its role in the operation of the City of Galion is terminated as of October 4, 2018.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Thomas O'Leary, Mayor of the City of Galion; Carl Watt, Council President; John Kasich, Governor; John Husted, Secretary of State; Timothy Keen, Director of the Office of Budget and Management; Josh Mandel, Treasurer of State; and Joan M. Wolfe, Crawford County Auditor.

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

Dave Yost
Auditor of State

October 4, 2018

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City of Galion, Crawford County
Report on the City of Galion
Fiscal Emergency Termination

Report on the Termination of the Galion Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the City of Galion (the Commission), Crawford County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through nine of the report indicate that the City has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page ten.

We have reviewed the objectives of the financial plan and determined that the City has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page fourteen.

We examined and issued a non-adverse report on the five-year forecast prepared by the City. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the City of Galion, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the City of Galion, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Section 1 - Financial Accounting and Reporting System

When a City is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the City's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the City of Galion (the City) and issued a Report on Accounting Methods, dated March 31, 2009. The report identified areas where the City's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination from fiscal emergency include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report of Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct the issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Chart of Fund and Account Codes

Auditor of State Comment from Report on Accounting Methods

The City's chart of accounts identifies a specific formula for the creation of an account code for both receipt and disbursement accounts. However, some of the City's current accounts, for both receipts and disbursements, are not consistent with this formula. For example, the numbers used to identify the receipt source and the disbursement program does not always follow the numbering logic of the formula. The City should continue to evaluate and modify its account codes to provide consistency throughout the account coding system.

Implemented

The City has revised its chart of accounts to be consistent with the current formula for the creation of account codes for both receipt and disbursement accounts and eliminated existing inconsistencies.

Accounting Journals and Ledgers

Auditor of State Comment from Report on Accounting Methods

The City does not maintain off site storage of backup tapes and disks. The City should consider taking backup tapes and disks off site.

Implemented

The City's primary finance server is located at the utilities department building. A backup finance server maintains a mirror copy of the primary finance server's files and is located at the City municipal building. The finance server is also backed up daily to the cloud.

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Auditor of State Comment from Report on Accounting Methods

The City does not have a disaster recovery plan. The City should develop and implement a disaster recovery plan.

Implemented

On February 28, 2017, City Council passed Ordinance No. 2017-9 to adopt the Financial Policy Manual which includes a disaster recovery plan.

Receipt Transactions

Auditor of State Comment from Report on Accounting Methods

Section 9.38 of the Revised Code requires the deposit of all public monies the next business day next following the day of receipt or, if the amount is less than \$1,000, the legislative authority may adopt a policy permitting a different time period, not to exceed three business days next following the day of receipt for making such deposits. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. The City is not consistent in following the requirements of Section 9.38 of the Revised Code. The City must follow the provisions as outlined in the Revised Code and should establish a policy regarding the deposit of money.

Implemented

On February 28, 2017, City Council passed Ordinance No. 2017-9 to adopt the Financial Policy Manual that requires that all cash received by the City must be deposited by 3:30 p.m. the next business day, in accordance with Section 9.38 of the Revised Code. Deposits are prepared by each department and given to the Auditor or the Auditor's representative to be delivered, with police escort, to the proper depository institution.

Auditor of State Comment from Report on Accounting Methods

The Auditor's Office does not issue pay-in-orders to those departments making deposits with the Auditor's Office. The Auditor's Office should give consideration to preparing pay-in-orders which serve to document the payment for both the receiving and paying departments.

Implemented

The Auditor's Office is issuing a pay-in-order to each department each time they bring receipts to the Auditor's Office.

Auditor of State Comment from Report on Accounting Methods

The City's utility customers can currently make their utility payments at three banks within the City. However, the City experiences reconciling issues with one of the banks on a routine basis. The City has addressed the issue with the bank but problems continue to exist. The City should give further consideration as to whether this service should be continued with this particular bank.

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Implemented

Utility customers have the option to make payment in person at the utilities department building, by mail, or pay online. The City has discontinued using local banks for collecting utility payments.

Auditor of State Comment from Report on Accounting Methods

Cash from receipts collected is not adequately secured in all of the City's departments. Cash may be accessible to unauthorized City employees and/or the public. Receipts must be kept in a secured location with limited access to those employees involved in taking receipts and/or making change. The City should establish a cash management and handling policy.

Implemented

On February 28, 2017, City Council passed Ordinance No. 2017-9 to adopt the Financial Policy Manual which includes a cash handling policy. This policy identifies, by department, the number and amount of change drawers and the procedures to be followed to ensure their security. Cash drawers at the utility department are behind a glass enclosed counter when in use and in a vault when not in use. The cash drawer for the Building and Zoning Office is kept in a vault and the health department secures its two drawers in a safe when not in use.

Auditor of State Comment from Report on Accounting Methods

A number of departments provide goods or services that there does not appear to be sufficient controls in place to verify that payment is received and deposited for all goods or services provided. The City should establish policies and develop control procedures to ensure that payment is made for all goods and services provided.

Implemented

Billing and receipting for all goods and services provided is now handled by the Auditor's Office.

Auditor of State Comment from Report on Accounting Methods

The City has no policy regarding the pursuit of delinquent accounts. The City has delinquent accounts for utility services and EMS services that may be significant. The City should develop a policy addressing how it will pursue delinquent accounts for all City departments.

Implemented

On February 28, 2017, City Council passed Ordinance No. 2017-9 to adopt the Financial Policy Manual that addresses pursuit of delinquent accounts. The policy allows the City to turn delinquent invoices or accounts more than thirty days past due over to a licensed third-party collection agency, at its option. The policy also sets a timeline for the collection of past due utility accounts and past due departmental service invoices.

The Fire Department has contracted with Medicount Management as the third-party responsible for billing and collection of EMS accounts. The Fire Department's contract with Medicount includes the timetable and means for the collection of delinquent accounts.

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Auditor of State Comment from Report on Accounting Methods

The Fire Department uses a third-party administrator to process and collect receipts for EMS runs. There is no review made by the Fire Department that amounts billed match the services provided or that the City actually receives all of the amounts collected by the third-party administrator. Procedures should be put in place to ensure that the City is receiving the correct amount for services billed and collected.

Implemented

The Fire Department receives a monthly statement from the third-party administrator (Medicount Management) and reconciles it to the Fire Department's EMS activity log to verify that all billable runs have been included. The Auditor's office receives monthly statements of collections from Medicaount Management in order to verify reported account collections to actual receipts.

Cash Disbursements

Auditor of State Comment from Report on Accounting Methods

The key to the safe is kept in a location that is accessible to anyone. As the safe contains unused checks as well as the signature plates, this key must be kept in a more secured location.

Implemented

The Auditor's Office has moved to a different facility. The safe in use at the new facility has a combination lock that can only be accessed by three employees of the Auditor's office.

Capital Assets and Supplies Inventory

Auditor of State Comment from Report on Accounting Methods

The City's capital assets manual should be reviewed and updated to reflect the policies the City will utilize for identifying and recording capital assets. The policies need to reflect the threshold amount for capitalizing assets, the procedures to be followed for asset acquisitions and disposals, and identify the information which must be maintained for each asset for reporting in the City's financial statements.

Implemented

The City has adopted a capital assets policy to facilitate the safeguarding and reporting of the City's capital assets. The policy outlines the responsibilities of the Auditor to implement the policy and to coordinate the property management of the City in order to comply with financial reporting requirements. Elected officials and department heads are responsible for all property within their office or department and for reporting all additions, deletions, or transfers of capital assets to the Auditor's office.

Auditor of State Comment from Report on Accounting Methods

The City needs to develop a method of tagging capital assets, with each asset having a unique number. The City should assign tags and asset numbers to assets at the time they are delivered to ensure that all assets acquired are accounted for.

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Implemented

Due to the cost and cumbersome nature of tagging capital assets, the City has decided not to tag capital assets but has developed procedures to accurately and adequately track capital assets.

Auditor of State Comment from Report on Accounting Methods

The City should develop and implement written policies and procedures for consumable inventory. The City has identified those departments who maintain a significant consumable inventory at year end. All departments should be periodically reviewed to determine if other departments may have a significant inventory of supplies which should be recorded.

Implemented

The City has developed a consumable materials and supplies inventory policy which identifies the significant items to be inventoried on or about December 31 each year. The City will continue to monitor inventories held by the departments to determine the significant inventories of supplies that should be recorded.

Cash Management and Investing

Auditor of State Comment from Report on Accounting Methods

The City has a number of petty cash/change funds; however, there has been no ordinance or resolution passed by Council establishing these funds. Council should prepare an ordinance defining each petty cash/change fund and identify the department in which it will be maintained, the purpose, and the amount.

Implemented

On February 28, 2017, City Council passed Ordinance No. 2017-9 to adopt the Financial Policy Manual. The cash handling policy within the manual establishes the number, purpose, and location of all change funds maintained by department.

Auditor of State Comment from Report on Accounting Methods

The City's petty cash/change funds are carelessly maintained. The City must establish policies and procedures for the maintenance of these funds and implement procedures to limit access to and provide security for these monies. Petty cash and change funds are currently not recorded as part of the City's cash balances on the City's books. These monies should be recorded on the City's books.

Implemented

The City has eliminated all petty cash funds and the City's Financial Policy Manual, passed by City Council, establishes guidelines to ensure adequate controls over the change drawers maintained by the various departments.

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Financial Reporting

Auditor of State Comment from Report on Accounting Methods

Currently, Council is only reviewing the YTD Fund Summary Report generated by the Auditor's Office. Council should establish the types of reports it wants to review as well as the frequency with which it wants to review them. The YTD Fund Summary Report only presents the City's financial position at the fund level, not at the legal level of budgetary control established by Council, which is the at fund, program, department, and object level. A report which provides for review of budget versus actual amounts for receipts and disbursements at the legal level of control should be provided to Council for review on a regular basis.

Implemented

City Council adopted Ordinance No. 2014-109 requiring that City Council be furnished with a statement of revenues, statement of expenses, statement of cash position, monthly reconciliation of bank accounts, monthly reconciliation of payroll, and any and all reports specifically required by the Ohio Revised Code. All of these reports are provided to City Council each month.

Auditor of State Comment from Report on Accounting Methods

The City's Charter requires the City Manager to prepare and submit to Council a five year capital improvement plan before April 1 of each year. The last capital improvement plan submitted by the City Manager was in 2004. Currently, the City is identifying their most critical capital needs for the next five year period in the City's Financial Recovery Plan. In accordance with the City's Charter, the City Manager should annually submit to Council a capital improvement plan. However, this capital improvement plan must stay within the parameters of the Financial Recovery Plan.

Implemented

On November 6, 2012, citizens of the City voted to repeal the City's charter; therefore, the City has returned to a statutory form of government. The City continues to prepare a five-year capital needs plan as part of their recovery plan.

Audit Report

The City receives a compliance and management letter at the conclusion of each annual audit. The audit for the period ended December 31, 2016, identified no findings or deficiencies in the audit report but the management letter noted some noncompliance issues. The noncompliance issues noted in the management letter included appropriations exceeding estimated resources in three funds related to capital acquisition/construction and expenditures exceeding appropriations in one fund related to debt retirement (reallocation between principal and interest).

The City Auditor will monitor appropriations to ensure that appropriations do not exceed estimated resources and that expenditures are within amounts appropriated.

These items will not prevent termination of the financial planning and supervision commission.

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Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(2) of the Ohio Revised Code, the City shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

A summary of the City's outstanding debt as of June 30, 2018, is as follows:

Debt Issue	Interest Rate	Year Issued	Issue Amount
<u>Bond Anticipation Notes</u>			
Fire Truck	1.90%	2017	\$555,000
EMS Squads	1.90	2017	240,000
Street Vehicles	1.90	2017	39,000
Portland Way North	1.90	2017	196,200
Screw Pump	1.90	2017	522,000
Portland Way North (Sewer)	1.90	2017	94,000
State Route 61 Lift Station	1.90	2017	300,000
Electric Distribution System	1.90	2017	1,575,000
Utility Truck	1.90	2017	23,400
<u>General Obligation Bonds</u>			
Electric Improvement	5.25	2007	8,592,000
Electric Improvement	2.15	2011	2,500,000
<u>OWDA Loans</u>			
Raw Water Line	2.00	1996	480,881
Water Treatment	2.00	2001	3,924,637
Cheshire Subdivision Assessment	3.98	2004	983,863
Sewer System Improvements	3.98	2004	1,600,253
Cheshire	3.98	2004	1,232,112
Water System Improvement	3.98	2004	2,218,464
WWTP Bio-Solids	3.52	2008	2,762,322
Water Tank Rehabilitation	4.61	2007	679,864
WWTP Influent Upgrade	2.57	2012	655,098

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Debt Issue	Interest Rate	Year Issued	Issue Amount
<u>OPWC Loans</u>			
Cherry Grove, Union, and Market	0.00%	2009	\$26,174
Portland Way South	0.00	2015	326,350
Railroad Street Waterline Improvements	0.00	2002	71,104
West End Waterline	0.00	2005	140,000
North Market Street Storm Sewer	0.00	2014	94,092
Southeast Storm Sewer	0.00	2016	693,209
<u>Other Loans</u>			
Fire Truck	2.99	2012	190,406

We reviewed the outstanding indebtedness as of June 30, 2018. The City had \$19,094,560 in outstanding debt at December 31, 2017, and had made all debt payments due as of that date.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No default on any debt obligation for more than thirty days existed at June 30, 2018.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained an understanding of the payroll process through discussion with the City Auditor. We obtained payroll reports and pay rate legislation. We reviewed bank statements to determine whether City employees were paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of June 30, 2018. All employees have been paid in amounts and at the times required by ordinance.

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Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Crawford County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the City for 2018 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Crawford County Budget Commission indicated that the Commission had not taken any action for tax year 2018 to increase the inside millage of the City.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of June 30, 2018.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2017, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2017, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Revised Code as of December 31, 2017. There were no payables over thirty days past due.

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Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2017, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2017.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the City’s reconciled bank balance to its statement of cash position by fund for all funds as of December 31, 2017, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

	Schedule I
Treasury Balance Ohio Revised Code Section 118.03(A)(6) As of December 31, 2017	Amounts at December 31, 2017
Bank Cash Balance	
PNC - Checking	\$102,161
United Bank - Checking	73,146
United Bank - ICS	3,064,838
Star Ohio	1,066,443
U.S. Bank - Investments	12,981,372
Park National Bank - CDARS	1,638,128
	(continued)

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Schedule I

Treasury Balance
 Ohio Revised Code Section 118.03(A)(6)
 As of December 31, 2017

	Amounts at December 31, 2017
Less Reconciling Factors for	
Cash on Hand	\$8,866
Outstanding Checks	(189,426)
	18,745,528
Positive Fund Balances	
General	5,383,254
Police - Drug	52,444
Police and Fire Levy (.39)	161,227
Police and Fire Levy (.5)	196,309
Unclaimed Monies	18,877
Police Training	3,821
OVI Enforcement and Education	9,976
State Highway	91,630
Street Improvement	154,318
Recreation	43,214
FAA Grants	27,115
Depot	1,248
Fire Department Safety	7,504
CDBG	30,288
Freese Construction	203,009
Revolving Loan	35,453
CHIP	8,728
Water	2,370,222
Sewer	3,801,059
Electric	3,297,198
Storm Water	1,061,431
Water Utility Deposits	82,219
Sewer Utility Deposits	78,743
Electric Utility Deposits	128,922
Electric Construction	1,361,563
Health Insurance	82,727
Convention and Visitors Bureau	52,296
Farmers Market	733
Total Positive Fund Balances	18,745,528
Treasury Deficiency	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2017. The treasury balance less the positive fund cash balances as of December 31, 2017, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the City and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the City in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a nonadverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

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APPENDIX A

**City of Galion
Crawford County**

Financial Forecast

For the Years Ending December 31, 2018 Through December 31, 2022

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Dave Yost • Auditor of State

City Council
City of Galion
301 Harding Way East
Galion, Ohio 44833

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the various funds of the City of Galion, for the five years ending December 31, 2022. This statement is presented on the budget basis of accounting used by the City of Galion rather than on generally accepted accounting principles. The City of Galion's management is responsible for the forecast. Our responsibility is to determine whether the City has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the City of Galion and the Financial Planning and Supervision Commission of Galion and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

Dave Yost
Auditor of State

July 11, 2018

City of Galion, Crawford County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

Street Maintenance Fund

	2015 Actual	2016 Actual	2017 Actual
Revenues			
Intergovernmental	\$378,000	\$389,830	\$393,040
Interest	0	10	0
Other Revenues	22,230	15,610	25,140
Total Revenues	400,230	405,450	418,180
Expenditures			
Street Maintenance			
Salaries	245,400	203,990	245,460
Benefits	133,720	125,120	161,000
Contractual Services	94,270	70,320	95,610
Supplies and Materials	171,910	118,220	161,830
Capital Outlay	625,870	578,630	265,570
Total Street Maintenance	1,271,170	1,096,280	929,470
Debt Service			
Principal Retirement	13,090	78,090	65,090
Interest and Fiscal Charges	0	490	830
Total Debt Service	13,090	78,580	65,920
Total Expenditures	1,284,260	1,174,860	995,390
Excess of Revenues Under Expenditures	(884,030)	(769,410)	(577,210)
Other Financing Sources			
Bond Anticipation Notes Issued	65,000	52,000	39,000
Transfers In	819,030	719,050	536,570
Total Other Financing Sources	884,030	771,050	575,570
Changes in Fund Balance	0	1,640	(1,640)
Fund Balance Beginning of Year	0	0	1,640
Fund Balance End of Year	\$0	\$1,640	\$0

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$393,040	\$393,040	\$393,040	\$393,040	\$393,040
0	0	0	0	0
23,070	23,070	23,070	23,070	23,070
416,110	416,110	416,110	416,110	416,110
320,500	328,300	336,200	344,100	351,900
203,500	227,400	236,800	246,300	255,800
133,290	137,290	141,400	145,650	150,020
181,310	186,750	192,360	198,130	204,070
593,000	0	0	0	0
1,431,600	879,740	906,760	934,180	961,790
52,100	632,100	546,700	474,400	415,100
24,700	24,100	21,400	18,700	16,400
76,800	656,200	568,100	493,100	431,500
1,508,400	1,535,940	1,474,860	1,427,280	1,393,290
(1,092,290)	(1,119,830)	(1,058,750)	(1,011,170)	(977,180)
619,000	546,700	474,400	415,100	355,800
473,290	573,130	584,350	596,070	621,380
1,092,290	1,119,830	1,058,750	1,011,170	977,180
0	0	0	0	0
0	0	0	0	0
\$0	\$0	\$0	\$0	\$0

City of Galion, Crawford County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

Street Improvement Fund

	2015 Actual	2016 Actual	2017 Actual
Revenues			
Intergovernmental	\$186,190	\$193,870	\$197,250
Interest	260	570	820
Other Revenues	7,980	0	0
Total Revenues	194,430	194,440	198,070
Expenditures			
Street Maintenance			
Capital Outlay	143,150	460,920	79,210
Changes in Fund Balance	51,280	(266,480)	118,860
Fund Balance Beginning of Year	250,650	301,930	35,450
Fund Balance End of Year	\$301,930	\$35,450	\$154,310

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$247,250	\$197,250	\$197,250	\$197,250	\$197,250
500	600	700	800	900
0	0	0	0	0
247,750	197,850	197,950	198,050	198,150
275,000	175,000	175,000	175,000	175,000
(27,250)	22,850	22,950	23,050	23,150
154,310	127,060	149,910	172,860	195,910
<u>\$127,060</u>	<u>\$149,910</u>	<u>\$172,860</u>	<u>\$195,910</u>	<u>\$219,060</u>

City of Galion, Crawford County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

Airport Fund

	<u>2015</u> Actual	<u>2016</u> Actual	<u>2017</u> Actual
Revenues			
Charges for Services	\$68,060	\$33,590	\$70,190
Other Revenues	<u>300</u>	<u>100</u>	<u>2,160</u>
Total Revenues	<u>68,360</u>	<u>33,690</u>	<u>72,350</u>
Expenditures			
Airport			
Salaries	26,460	21,710	19,970
Benefits	9,390	9,560	6,400
Contractual Services	63,750	34,790	41,550
Supplies and Materials	43,760	13,860	29,470
Capital Outlay	<u>5,140</u>	<u>530</u>	<u>17,570</u>
Total Expenditures	<u>148,500</u>	<u>80,450</u>	<u>114,960</u>
Excess of Revenues Under Expenditures	(80,140)	(46,760)	(42,610)
Other Financing Sources			
Transfers In	<u>80,140</u>	<u>46,760</u>	<u>42,610</u>
Changes in Fund Balance	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$68,270	\$68,270	\$68,270	\$68,270	\$68,270
0	0	0	0	0
68,270	68,270	68,270	68,270	68,270
19,100	19,300	19,500	19,700	19,900
6,400	6,900	7,100	7,300	7,500
44,200	45,520	46,890	48,300	49,750
20,250	20,860	21,480	22,130	22,790
35,000	37,200	6,300	0	0
124,950	129,780	101,270	97,430	99,940
(56,680)	(61,510)	(33,000)	(29,160)	(31,670)
56,680	61,510	33,000	29,160	31,670
0	0	0	0	0
0	0	0	0	0
\$0	\$0	\$0	\$0	\$0

City of Galion, Crawford County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

Police Pension Fund

	2015 Actual	2016 Actual	2017 Actual
Revenues			
Property Taxes	\$27,820	\$29,930	\$27,330
Intergovernmental	5,150	3,280	4,680
Other Revenues	0	1,500	0
Total Revenues	32,970	34,710	32,010
Expenditures			
Police			
Benefits	183,270	194,670	192,400
Contractual Services	860	1,250	940
Total Police	184,130	195,920	193,340
Debt Service			
Principal Retirement	720	750	780
Interest and Fiscal Charges	960	930	900
Total Debt Service	1,680	1,680	1,680
Total Expenditures	185,810	197,600	195,020
Excess of Revenues Under Expenditures	(152,840)	(162,890)	(163,010)
Other Financing Sources			
Transfers In	152,840	162,890	163,010
Changes in Fund Balance	0	0	0
Fund Balance Beginning of Year	0	0	0
Fund Balance End of Year	\$0	\$0	\$0

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$27,330	\$27,330	\$27,330	\$27,330	\$27,330
4,680	4,680	4,680	4,680	4,680
0	0	0	0	0
32,010	32,010	32,010	32,010	32,010
218,300	223,500	228,700	234,100	239,300
1,000	1,000	1,000	1,000	1,000
219,300	224,500	229,700	235,100	240,300
900	900	900	1,000	1,000
900	900	900	800	800
1,800	1,800	1,800	1,800	1,800
221,100	226,300	231,500	236,900	242,100
(189,090)	(194,290)	(199,490)	(204,890)	(210,090)
189,090	194,290	199,490	204,890	210,090
0	0	0	0	0
0	0	0	0	0
\$0	\$0	\$0	\$0	\$0

City of Galion, Crawford County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

Fire Pension Fund

	2015 Actual	2016 Actual	2017 Actual
Revenues			
Property Taxes	\$27,820	\$29,930	\$27,330
Intergovernmental	5,070	3,280	4,680
Total Revenues	<u>32,890</u>	<u>33,210</u>	<u>32,010</u>
Expenditures			
Police			
Benefits	271,670	244,150	258,080
Contractual Services	860	1,250	940
Total Police	<u>272,530</u>	<u>245,400</u>	<u>259,020</u>
Debt Service			
Principal Retirement	2,720	2,840	2,960
Interest and Fiscal Charges	3,640	3,530	3,410
Total Debt Service	<u>6,360</u>	<u>6,370</u>	<u>6,370</u>
Total Expenditures	<u>278,890</u>	<u>251,770</u>	<u>265,390</u>
Excess of Revenues Under Expenditures	(246,000)	(218,560)	(233,380)
Other Financing Sources			
Transfers In	<u>246,000</u>	<u>218,560</u>	<u>233,380</u>
Changes in Fund Balance	0	0	0
Fund Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$27,330	\$27,330	\$27,330	\$27,330	\$27,330
4,680	4,680	4,680	4,680	4,680
32,010	32,010	32,010	32,010	32,010
287,300	294,300	301,400	308,300	315,400
1,000	1,000	1,000	1,000	1,000
288,300	295,300	302,400	309,300	316,400
3,200	3,300	3,400	3,600	3,600
3,300	3,200	3,100	2,900	2,900
6,500	6,500	6,500	6,500	6,500
294,800	301,800	308,900	315,800	322,900
(262,790)	(269,790)	(276,890)	(283,790)	(290,890)
262,790	269,790	276,890	283,790	290,890
0	0	0	0	0
0	0	0	0	0
\$0	\$0	\$0	\$0	\$0

City of Galion, Crawford County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

CDBG Fund			
	2015 Actual	2016 Actual	2017 Actual
Revenues			
Intergovernmental	\$0	\$0	\$0
Expenditures			
Community Environment			
Capital Outlay	0	0	0
Changes in Fund Balance	0	0	0
Fund Balance Beginning of Year	30,280	30,280	30,280
Fund Balance End of Year	\$30,280	\$30,280	\$30,280

<u>2018</u> <u>Forecasted</u>	<u>2019</u> <u>Forecasted</u>	<u>2020</u> <u>Forecasted</u>	<u>2021</u> <u>Forecasted</u>	<u>2022</u> <u>Forecasted</u>
\$300,000	\$0	\$0	\$0	\$0
<u>300,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0
<u>30,280</u>	<u>30,280</u>	<u>30,280</u>	<u>30,280</u>	<u>30,280</u>
<u><u>\$30,280</u></u>	<u><u>\$30,280</u></u>	<u><u>\$30,280</u></u>	<u><u>\$30,280</u></u>	<u><u>\$30,280</u></u>

City of Galion, Crawford County
Statement of Revenues, Expenses, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

Water Fund			
	2015	2016	2017
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Revenues			
Charges for Services	\$1,740,710	\$1,748,890	\$1,745,730
Other Revenues	5,330	30,110	73,820
Total Revenues	<u>1,746,040</u>	<u>1,779,000</u>	<u>1,819,550</u>
Expenses			
Salaries	520,060	519,870	540,590
Benefits	222,020	275,550	255,810
Contractual Services	245,860	316,260	259,120
Supplies and Materials	234,260	227,600	207,290
Capital Outlay	382,660	205,590	101,070
Other	85,710	87,960	83,460
Debt Service			
Principal Retirement	251,320	258,250	265,510
Interest Expense	168,540	156,860	151,370
Total Expenses	<u>2,110,430</u>	<u>2,047,940</u>	<u>1,864,220</u>
Operating Loss	<u>(364,390)</u>	<u>(268,940)</u>	<u>(44,670)</u>
Nonoperating Revenues (Expenses)			
Grants	18,270	0	0
Bond Anticipation Notes Issued	24,470	0	0
Transfers In	85,710	87,960	0
Transfers Out	(16,690)	(16,770)	(16,870)
Total Nonoperating Revenues (Expenses)	<u>111,760</u>	<u>71,190</u>	<u>(16,870)</u>
Changes in Fund Balance	(252,630)	(197,750)	(61,540)
Revenues from Charges for Services - New	0	0	0
Fund Balance Beginning of Year	<u>2,882,140</u>	<u>2,629,510</u>	<u>2,431,760</u>
Fund Balance End of Year	<u><u>\$2,629,510</u></u>	<u><u>\$2,431,760</u></u>	<u><u>\$2,370,220</u></u>

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$1,745,730	\$1,745,730	\$1,745,730	\$1,745,730	\$1,745,730
8,240	8,240	8,240	8,240	8,240
1,753,970	1,753,970	1,753,970	1,753,970	1,753,970
572,600	585,800	599,200	612,600	625,800
328,200	368,900	381,900	394,900	408,100
351,500	362,050	372,910	384,100	395,630
267,700	275,730	284,000	292,520	301,300
265,060	188,750	149,000	215,500	152,000
100,000	115,000	120,000	120,000	122,000
273,100	280,800	288,800	297,100	287,400
144,100	136,600	128,800	120,700	112,400
2,302,260	2,313,630	2,324,610	2,437,420	2,404,630
(548,290)	(559,660)	(570,640)	(683,450)	(650,660)
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
(16,870)	(16,870)	(16,870)	(16,870)	(16,870)
(16,870)	(16,870)	(16,870)	(16,870)	(16,870)
(565,160)	(576,530)	(587,510)	(700,320)	(667,530)
0	174,570	366,600	577,840	577,840
2,370,220	1,805,060	1,403,100	1,182,190	1,059,710
\$1,805,060	\$1,403,100	\$1,182,190	\$1,059,710	\$970,020

City of Galion, Crawford County
Statement of Revenues, Expenses, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2015, Through 2017, Actual
and Ending December 31, 2018, Through 2022, Forecasted

Electric Fund

	2015 Actual	2016 Actual	2017 Actual
Revenues			
Charges for Services	\$11,434,900	\$11,313,890	\$11,933,910
Other Revenues	84,420	87,830	158,320
Total Revenues	11,519,320	11,401,720	12,092,230
Expenses			
Salaries	611,360	630,700	647,010
Benefits	324,290	360,390	418,970
Contractual Services	397,800	308,380	277,830
Purchase of Power	9,649,160	9,958,070	9,856,510
Supplies and Materials	105,290	86,240	91,970
Capital Outlay	99,710	484,770	112,390
Other	84,730	173,060	90,680
Debt Service			
Principal Retirement	989,060	1,020,060	1,053,060
Interest Expense	381,720	346,970	306,200
Total Expenses	12,643,120	13,368,640	12,854,620
Operating Loss	(1,123,800)	(1,966,920)	(762,390)
Nonoperating Revenues (Expenses)			
Transfers In	84,730	103,550	375,000
Transfers Out	(375,000)	0	0
Total Nonoperating Revenues (Expenses)	(290,270)	103,550	375,000
Changes in Fund Balance	(1,414,070)	(1,863,370)	(387,390)
Revenues from Charges for Services Base - New	0	0	0
Revenues from Charges for Services PCA - New	0	0	0
Fund Balance Beginning of Year	6,962,030	5,547,960	3,684,590
Fund Balance End of Year	\$5,547,960	\$3,684,590	\$3,297,200

2018 Forecasted	2019 Forecasted	2020 Forecasted	2021 Forecasted	2022 Forecasted
\$13,201,960	\$13,201,960	\$13,201,960	\$13,201,960	\$13,201,960
80,000	80,000	80,000	80,000	80,000
13,281,960	13,281,960	13,281,960	13,281,960	13,281,960
771,400	660,100	676,000	691,900	707,700
559,400	561,000	582,300	603,600	624,900
240,850	247,900	255,150	262,620	270,300
10,456,650	10,758,350	10,760,100	10,861,900	11,263,760
115,000	118,440	121,970	125,620	129,370
100,000	108,500	100,000	100,000	100,000
110,000	125,000	130,000	130,000	130,000
2,496,000	1,792,000	1,829,000	1,870,000	1,661,000
253,900	194,100	150,800	105,500	59,400
15,103,200	14,565,390	14,605,320	14,751,140	14,946,430
(1,821,240)	(1,283,430)	(1,323,360)	(1,469,180)	(1,664,470)
1,575,000	834,000	834,000	834,000	834,000
0	0	0	0	0
1,575,000	834,000	834,000	834,000	834,000
(246,240)	(449,430)	(489,360)	(635,180)	(830,470)
0	53,200	106,280	159,480	212,890
0	133,310	155,610	528,520	715,000
3,297,200	3,050,960	2,788,040	2,560,570	2,613,390
\$3,050,960	\$2,788,040	\$2,560,570	\$2,613,390	\$2,710,810

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, Through 2022

Note 1 - The City

The City of Galion is located in north central Ohio in Crawford County. The City is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory city, Galion must comply with all State laws regulating city government. The decision making process is directed by an elected City Council and Mayor.

The City Council is the legislative authority of the City and consists of four members elected from four wards of the City, three members who are elected at large, and a council president who is elected at large and all serve terms of two years.

The Mayor is the chief executive officer of the City and serves a term of four years. The Mayor supervises the administration of the City.

The City of Galion provides general government services including street and state highway maintenance and repair, police and fire protection, parks, an airport, and water, sewer, storm water, and electric utilities. The operation of each of these activities is directly controlled by the City Council through the budgetary process. The administration includes the Mayor, City Auditor, City Treasurer, and Safety Service Director.

On August 9, 2004, the Auditor of State's office declared the City of Galion to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. The Commission is comprised of the Mayor of the City, Council President, three individuals whose residency or principal place of business is within the City, and a designee from both the State Treasurer's Office and the Office of Budget and Management. The City has 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan has been adopted, the City's discretion is limited in that all financial activity of the City must be in accordance with the plan.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the City's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the City's judgment, as of July 11, 2018, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the City and which had a deficit fund balance at the time the City was declared in fiscal emergency. For the City of Galion, this consists of the Street Maintenance Fund, Street Improvement Fund, Airport Fund, Police Pension Fund, Fire Pension Fund, Community Development Block Grant (CDBG) Fund, Water Fund, and Electric Fund.

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the City is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

The City maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the City and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis.

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 3 - Summary of Significant Accounting Policies (continued)

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. The City of Galion does not have any trust funds. Agency funds are custodial in nature (assets equals liabilities) and do not involve measurement of results of operations. The City has two agency funds.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the statement of fund activities, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The statement of fund activities demonstrates a need for existing or increased tax rates. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the City which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by City Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the City Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The City uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

City of Galion, Crawford County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2018, through 2022

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property and public utility real and personal property. The City may request advances from the Crawford County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the City are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the City for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2012 for taxes collected in 2013, and the triennial update took place in 2015 for taxes collected in 2016 with the next reappraisal scheduled for 2018.

The City’s assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2014	2015	2016	2017
Real Property				
Residential and Agriculture	\$81,971,760	\$81,669,590	\$81,824,900	\$81,071,030
Commercial and Industrial	25,417,400	25,190,480	25,295,310	24,764,350
Public Utility Property				
Real	46,130	46,890	47,340	45,420
Personal	967,240	1,011,060	1,138,800	1,498,870
Total Assessed Value	<u>\$108,402,530</u>	<u>\$107,918,020</u>	<u>\$108,306,350</u>	<u>\$107,397,670</u>

Property tax revenues are generated from the inside millage and receipted into the General Fund, Police Pension Fund, and Fire Pension Fund.

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$3.30
Inside Millage	Police Pension	n/a	n/a	n/a	n/a	.30
Inside Millage	Fire Pension	n/a	n/a	n/a	n/a	.30
Total Tax Rate						<u>\$3.90</u>

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 4 - General Revenue Assumptions - All Funds (continued)

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes.

Real Property - No change in real property taxes is expected over the five-year forecasted period as there is little growth or change in valuation anticipated in the City.

B. Intergovernmental Revenues

Intergovernmental revenues include property tax allocations for rollback and homestead. The property tax allocations for rollback and homestead are received from the State and are based on information provided by the County Auditor.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the City for the loss of real property taxes caused by the homestead and rollback tax relief programs. Homestead and rollback receipts have been forecasted to remain flat to remain consistent with the forecasted property tax revenues.

Note 5 - Specific Fund Revenue Assumptions

A. Street Maintenance Fund

Intergovernmental - Intergovernmental revenue consists of motor vehicle license tax and gasoline tax distributions. Forecasted receipts are anticipated to remain consistent with amounts received during 2017.

Other Revenues - For 2015 through 2017, other revenues consisted of various refunds and reimbursements which are subject to significant fluctuation from year to year. Forecasted other revenues consists of tax incremental financing (TIF) receipts related to a new TIF project.

Bond Anticipation Notes Issued - For 2015 through 2017, bond anticipation notes were issued to partially retire bond anticipation notes previously issued for the purchase of vehicles. For the forecast period, the City will issue bond anticipation notes in 2018 for the Brandt Road Development Phase II project as well as to continue to partially retire notes previously issued for the purchase of vehicles. For 2019 through 2022, the City will issue bond anticipation notes to retire bond anticipation notes previously issued for the Brandt Road Development Phase II project and the purchase of vehicles. One year bond anticipation notes will continue to be issued annually until the debt is fully retired.

B. Street Improvement Fund

Intergovernmental - Intergovernmental revenue consists of permissive motor vehicle license taxes. Forecasted receipts are anticipated to remain consistent with amounts received during 2017. In 2018, the City will also receive a grant from the Ohio Department of Transportation for improvements to State Route 309.

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 5 - Specific Fund Revenue Assumptions (continued)

C. Airport Fund

Charges for Services - Charges for services consists of fuel sales, hangar rental, and the lease of farm land at the airport. In 2016, fuel sales declined but resumed in 2017. Forecasted receipts are anticipated to remain consistent with amounts received during 2017.

D. CDBG Fund

Intergovernmental - Forecasted receipts in 2018 consists of a grant for a downtown revitalization project.

E. Water Fund

Charges for Services - Charges for services revenue is collected from water utility customers based on a minimum service charge and a usage charge for each 100 cubic feet of water used. For utility customers outside the City limits, the rate is 1.5 times the in-city rate. For 2018, forecasted receipts are anticipated to remain consistent with amounts received during 2017. For 2019 through 2021, the City anticipates that there will be a need to make adjustments to the rate schedule in order to meet operational demands and maintain the same level of services. Rate increases will be sufficient to generate the amounts of \$175,000, \$367,000, and \$578,000, respectively. The City does not anticipate any other rate adjustments during the forecast period.

Other Revenues - Other revenues includes sale of bulk water, refunds and reimbursements, and other miscellaneous charges which are subject to fluctuation from year to year. Forecasted other revenues consists of tax incremental financing (TIF) receipts related to a new TIF project.

F. Electric Fund

Charges for Services - Charges for services revenue is collected from electric utility customers based on a monthly base rate and per kilowatt hour charge. Effective January 1, 2018, the City implemented an increase in the base rate for 2018 as well as increases to the base rate and power cost adjustment in 2019 through 2022. For 2017, charges for services revenue increased from prior years due to the collection of delinquent charges, new electric usage sales for several new businesses, and an increase in the power cost adjustment factor.

Other Revenues - Other revenues includes various refunds and reimbursements which are subject to fluctuation from year to year. For 2017, the City received a one-time reimbursement from other funds, in the amount of \$52,000.

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 6 - General Expenditure Assumptions - All Funds

A. Salaries

Salaries consists of payments to employees for hours worked. City Council, by ordinance, sets the staffing limits by department as well as the salary ranges or hourly rates and other forms of compensation such as paid leave.

Staffing levels for the forecast period are projected to be consistent with staffing levels in 2017.

A 2.5 percent increase in salaries is expected throughout the forecast period for all employees. The City has four unions: Ohio Patrolmen Benevolent Association; Fraternal Order of Police, Ohio Labor Council, Inc.; Local #435 of the International Association of Firefighters, AFL-CIO; and Local #2243, Council 8 of the American Federation of State, County, and Municipal Employees, AFL-CIO. Current contracts expire at the end of 2019.

The current City's structure provides for employees to float between the street, water, sewer, airport, and park and recreation departments depending on work load requirements. As a result, salaries fluctuate from year to year within these departments based on the work load.

In 2018, salaries increased in the Electric Fund due to a severance payment, in the amount of \$24,300, and the return of an employee previously on disability. In 2019, there will be a decrease in salaries due to retirements.

B. Benefits

Benefits include employer contributions to the State pension system, workers' compensation, Medicare, and other employee leave benefits including vacation and sick leave. The City provides medical, dental, vision, and life insurance to most employees through Medical Mutual of Ohio.

City employees participate in the Ohio Public Employees Retirement System (OPERS) or the Ohio Police and Fire Pension Fund (OPF). OPERS and OPF provide basic retirement, disability, and death benefits to plan members and beneficiaries. OPERS benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual salary and the City is required to contribute 14 percent of their annual salary. OPF benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. Plan members are required to contribute 12.25 percent of their annual covered salary. Employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters.

All employees are required to pay into Medicare. The Medicare contribution is 1.45 percent of their annual salary for employees hired April 1986.

Workers' compensation coverage is provided by the State of Ohio. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

Full-time employees are entitled to vacation leave of two to five weeks per year depending on length of service. Full-time employees earn sick leave at a rate of 4.6 hours per 80 hours in active work status.

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 6 - General Expenditure Assumptions - All Funds (continued)

Full-time employees are eligible to participate in the City's medical, dental, vision, and life insurance plans. The City pays 85 to 100 percent of the insurance premiums depending on the insurance plan. The City expects insurance costs to increase an average of 26 percent per year in 2018 and 2019 and 5 percent in 2020 through 2022. The City anticipates restructuring the health insurance program beginning in 2020.

C. Contractual Services

Contractual services include property and liability insurance, utilities, travel expenses, training, advertising, professional dues, legal fees, software licensing, other technical services, maintenance and repair, auditor and treasurer fees, and accounting and auditing services.

For 2018 through 2022, property and liability insurance is anticipated to increase approximately 3 percent annually based upon historical trend.

Utility costs and maintenance and repair costs for 2018 are based on a historical average with modest increases annually throughout the forecasted period.

Other technical services costs in the Street Maintenance Fund and Water Fund will increase based on engineering costs for anticipated projects throughout the forecast period.

Software and licensing costs for the utility billing office in the Water Fund and Electric Fund will increase for software support annually for the City's new analytics software purchased from Software Solutions.

For the Street Maintenance Fund, contractual services costs were lower in 2016 due to fewer street projects, therefore, lower engineering costs.

For the Airport Fund, contractual services costs were higher in 2015 due to repairs at the airport.

For the Water Fund, contractual services costs increased in 2016 due to a major waterline repair.

For the Electric Fund, contractual services costs were higher than 2015 due to tree trimming around power lines.

D. Purchase of Power

The City does not generate its own electricity. The City purchases its electricity from AMP Ohio (through various providers) which the City then distributes to its users. Purchase of power costs in the Electric Fund are anticipated to increase 6 percent in 2018, 3 percent in 2019, less than 1 percent in 2020, 1 percent in 2021, and approximately 4 percent in 2022. Anticipated amounts were provided by AMP Ohio.

E. Supplies and Materials

Supplies and materials expenditures include office supplies, operating supplies (salt, gasoline, automobile parts), and furniture and small equipment. Supplies and materials are anticipated to increase approximately 3 percent per year.

City of Galion, Crawford County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2018, through 2022

Note 6 - General Expenditure Assumptions - All Funds (continued)

For the Street Maintenance Fund, expenses were lower in 2016 because the City did not need to purchase as much salt.

For the Airport Fund, costs were higher in 2015 due to additional fuel purchases.

For the Water Fund, forecasted costs for 2018 are increasing due to anticipated chemical costs.

F. Capital Outlay

The forecasted capital outlay is as follows.

Fund/Description	Year				
	2018	2019	2020	2021	2022
Street Maintenance					
Brandt Road Development-Phase 2	\$593,000	\$0	\$0	\$0	\$0
Street Improvement					
Street Repaving Projects	\$162,500	\$175,000	\$175,000	\$175,000	\$175,000
State Route 309 Improvement-ODOT	50,000	0	0	0	0
State Route 309 Improvement (local match)	12,500	0	0	0	0
Mowers	50,000	0	0	0	0
Total Street Improvement	\$275,000	\$175,000	\$175,000	\$175,000	\$175,000
Airport					
Projects (local match)	\$35,000	\$37,200	\$6,300	\$0	\$0
CDBG					
Downtown Revitalization	\$300,000	\$0	\$0	\$0	\$0

(continued)

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 6 - General Expenditure Assumptions - All Funds (continued)

Fund/Description	Year				
	2018	2019	2020	2021	2022
Water					
Water Plant					
Control Updgrades	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Chemical Jar Testing	0	5,000	0	5,000	0
Garage Doors	1,900	0	2,000	0	0
Amanns Pump House	10,000	10,000	3,000	5,000	1,000
Amicks Pump House	20,000	0	10,000	10,000	2,000
Powers Pump House	20,000	4,000	1,500	3,000	1,500
Rapid Mix Building	2,500	0	10,000	25,000	0
Clearwell and Water Tank Inspections	0	0	0	0	20,000
Pump Equipment Rebuild	10,000	10,000	10,000	10,000	10,000
Equipment Replacement	20,000	30,000	30,000	30,000	30,000
SCADA System Upgrade	15,000	5,000	5,000	50,000	10,000
Roof Repair	4,000	44,000	10,000	10,000	10,000
Harmful Algae Bloom Requirements	5,000	5,000	5,000	5,000	5,000
Chemical Feed System Repair	10,000	10,000	5,000	5,000	5,000
Main Electric Panel	10,000	20,000	20,000	20,000	20,000
ODNR Requirements	70,000	2,500	2,500	2,500	2,500
Asset Management-EPA Upgrades	20,000	0	0	0	0
Total Water Plant	228,400	155,500	124,000	190,500	127,000
Water Maintenance					
Line Repair	25,000	25,000	25,000	25,000	25,000
Fire Hydrants	11,660	0	0	0	0
Total Water Maintenance	36,660	25,000	25,000	25,000	25,000
Utility Billing					
Meter Reader Van	0	8,250	0	0	0
Total Water	\$265,060	\$188,750	\$149,000	\$215,500	\$152,000
Electric					
Line Replacement	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Utility Billing					
Meter Reader Van	0	8,500	0	0	0
Total Electric	\$100,000	\$108,500	\$100,000	\$100,000	\$100,000

G. Other

Other expense represents payments from the Water Fund and Electric Fund to the General Fund for administration services (receipt and disbursement processing, payroll, etc.). The amount paid by each fund is based on a cost allocation formula.

City of Galion, Crawford County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2018, through 2022

Note 6 - General Expenditure Assumptions - All Funds (continued)

H. Debt Service

The original issue date, interest rate, original issue amount, and maturity date for the City's short-term and long-term obligations as of June 30, 2018, were as follows:

	Original Issue Date	Interest Rate	Original Issue Amount	Maturity Date
<u>Bond Anticipation Notes</u>				
Various Equipment and Improvements	7/25/2017	1.90%	\$39,000	7/25/2018
<u>General Obligation Bonds</u>				
Electric Improvement	12/21/2007	5.25	8,952,000	1/15/2023
Electric Improvement	10/27/2011	2.15	2,500,000	12/1/2021
<u>OWDA Loans</u>				
Raw Water Line	7/25/1996	2.00	480,881	1/1/2022
Water Treatment	7/26/2001	2.00	3,924,637	7/1/2032
Cheshire	5/27/2004	3.98	1,232,112	1/1/2036
Water System Improvement	5/27/2004	3.98	2,218,464	1/1/2036
Water Tank Rehabilitation	12/31/2007	4.61	679,864	1/1/2029
<u>OPWC Loans</u>				
Cherry Grove, Union, and Market	7/1/2009	0.00	26,174	7/1/2019
Railroad Street Waterline Improvement	7/1/2002	0.00	71,104	1/1/2022
West End Waterline	1/1/2005	0.00	140,000	7/1/2024
<u>Police and Fire Pension Loan</u>				
Police	5/1/1968	2 5.00	33,615	5/1/2035
Fire	5/1/1968	5.00	127,412	5/1/2035

Bond Anticipation Notes - The City issued bond anticipation notes to retire notes previously issued for street vehicles. The debt will be repaid from the Street Maintenance Fund.

City of Galion, Crawford County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2018, through 2022

Note 6 - General Expenditure Assumptions - All Funds (continued)

General Obligation Bonds - The City issued general obligation bonds to retire an electric improvement loan and to upgrade a substation and the related distribution system. The debt will be repaid from the Electric Fund.

OWDA Loans - OWDA loans consist of monies owed to the Ohio Water Development Authority for improvements to water lines and upgrades to the City's water treatment plant. OWDA loans will be repaid from the Water Fund.

OPWC Loans - OPWC loans are general obligations of the City and consist of monies owed to the Ohio Public Works Commission for street improvements and the replacement of water lines. The loans will be repaid from the Street Maintenance Fund and Water Fund.

Police and Fire Loans - The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire personnel in 1967. The liability is payable semiannually from the Police Pension Fund and Fire Pension Fund.

The City anticipates issuing bond anticipation notes in the Street Maintenance Fund to retire notes previously issued to acquire vehicles and for additional street improvements. The notes will be repaid from revenues of the Street Maintenance Fund.

The City anticipates issuing bond anticipation notes to retire notes previously issued for improvements to the electric distribution system. The proceeds of the notes will be recorded in the Electric Improvement Fund (a capital projects fund) but will be repaid from revenues of the Electric Fund.

Principal and interest requirements to retire the City's debt included in the forecast:

	Street Maintenance	Police Pension	Fire Pension	Water	Electric
2018	\$76,800	\$1,800	\$6,500	\$417,200	\$2,749,900
2019	656,200	1,800	6,500	417,400	1,986,100
2020	568,100	1,800	6,500	417,600	1,979,800
2021	493,100	1,800	6,500	417,800	1,975,500
2022	431,500	1,800	6,500	399,800	1,720,400
2023-2027	1,232,200	9,000	32,500	1,957,600	2,778,100
2028-2032	61,400	9,000	32,500	1,651,800	0
2033-2035	0	4,500	16,000	488,300	0
	\$3,519,300	\$31,500	\$113,500	\$6,167,500	\$13,189,800

City of Galion, Crawford County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2018, through 2022

Note 7 - Transfers

In 2015 to 2017, the General Fund made transfers to the Street Maintenance, Airport, Police Pension, Fire Pension, Water, and Electric funds to supplement operations in these funds. The City expects to continue to make transfers each year from the General Fund to the Street Maintenance, Airport, Police Pension, and Fire Pension funds to supplement activities in these funds.

The Water Fund will make a transfer to a debt service fund each year to pay the Cheshire OWDA loan.

In 2015, the Electric Fund made a transfer to the Electric Improvement Fund to subsidize the cost of construction of the electric distribution system. For 2018 through 2022, the Electric Fund will receive transfers from the Electric Improvement Fund for debt retirement.

Note 8 - Other Funds

When the City was placed in fiscal emergency, the CDBG Escrow and General Government funds had deficit fund balances. These funds no longer exist.

The City's General Fund as well as a number of other funds used by the City, whose resources are restricted for specific purposes, are anticipated to have sufficient resources to meet their obligations during the forecast period.

Note 9 - Pending Litigation

The City currently has no pending litigation.



Dave Yost • Auditor of State

CITY OF GALION

CRAWFORD 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 4, 2018