



**CITY OF GALION
CRAWFORD COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of Galion, Crawford County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2021 through December 31, 2021. 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 Galion is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 22, 2022

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**City of Galion
Crawford County**

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INDEPENDENT AUDITOR'S REPORT

City of Galion
Crawford County
301 Harding Way East
Galion, OH 44833

To the Members of Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, Ohio (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, Ohio as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street Maintenance and Repair, and Police and Fire Levy funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Galion Board of Health, which represents 4 percent, respectively, of the assets, 100 percent of the deferred outflows, liabilities, deferred inflows, 0 percent of the net position, 29 percent of the revenues and 30 percent of the expenses of the component units as of December 31, 2021, and the respective changes in financial position cash flows, thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Galion Board of Health, is based solely on the report of other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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

Management is responsible for the other information included in the annual financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

November 30, 2022

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

The discussion and analysis of the City of Galion's financial performance provides an overview of the City's financial activities for the year ended December 31, 2021. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2021 are as follows:

In total, the City's net position increased approximately 9 percent from the prior year. Governmental activities increased 12 percent and business-type activities decreased almost 7 percent.

General revenues made up 71 percent of the total revenues for governmental activities in 2021 and, of this amount, 72 percent was provided through municipal income taxes, the most critical of the City's revenue sources.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General Fund, the Police and Fire Levy and Street Maintenance and Repair special revenue funds, and the Water, Sewer, Electric, and Storm Water enterprise funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2021. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, bridges, and water, sewer, electric, and storm water lines). These factors must be considered when assessing the overall health of the City.

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

In the statement of net position and the statement of activities, the City is divided into two types of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, transportation, general government, and basic utility services. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water, sewer, electric, and storm water services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General Fund, the Police and Fire Levy and Street Maintenance and Repair special revenue funds, and the Water, Sewer, Electric, and Storm Water enterprise funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

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 on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Proprietary Funds - The City's enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting. The City uses enterprise funds to account for water, sewer, electric, and storm water operations.

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2021 and 2020.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<u>Assets</u>						
Current and Other Assets	\$15,846,565	\$14,480,884	\$12,662,074	\$12,730,135	\$28,508,639	\$27,211,019
Net Pension Asset	8,492	5,355	13,740	8,822	22,232	14,177
Net OPEB Asset	139,185	0	225,156	0	364,341	0
Capital Assets, Net	21,099,231	20,865,963	26,911,219	27,792,892	48,010,450	48,658,855
Total Assets	<u>37,093,473</u>	<u>35,352,202</u>	<u>39,812,189</u>	<u>40,531,849</u>	<u>76,905,662</u>	<u>75,884,051</u>
<u>Deferred Outflows of Resources</u>						
Pension	1,229,074	1,301,616	335,020	456,974	1,554,596	1,706,958
OPEB	794,263	883,806	151,560	268,792	939,396	1,152,598
Total Deferred Outflows of Resources	<u>2,023,337</u>	<u>2,185,422</u>	<u>486,580</u>	<u>725,766</u>	<u>2,493,992</u>	<u>2,859,556</u>
<u>Liabilities</u>						
Current and Other Liabilities	2,205,755	2,024,108	4,070,191	3,155,011	6,275,946	5,179,119
Long-Term Liabilities						
Pension	7,647,327	7,940,287	1,959,683	2,536,966	9,607,010	10,477,253
OPEB	1,000,270	1,965,128	0	1,691,037	1,000,270	3,656,165
Other Amounts	1,254,726	1,327,009	10,284,106	11,889,220	11,538,832	13,216,229
Total Liabilities	<u>12,108,078</u>	<u>13,256,532</u>	<u>16,313,980</u>	<u>19,272,234</u>	<u>28,422,058</u>	<u>32,528,766</u>
<u>Deferred Inflows of Resources</u>						
Pension	1,329,618	1,396,752	851,608	627,675	2,171,728	1,972,795
OPEB	825,585	609,173	689,116	263,155	1,508,274	872,328
Other Amounts	395,760	427,424	12,208	67,358	407,968	494,782
Total Deferred Inflows of Resources	<u>2,550,963</u>	<u>2,433,349</u>	<u>1,552,932</u>	<u>958,188</u>	<u>4,087,970</u>	<u>3,339,905</u>
<u>Net Position</u>						
Net Investment in Capital Assets	19,655,453	19,284,452	16,485,044	15,789,744	36,140,497	35,074,196
Restricted	4,589,983	3,784,638	0	0	4,589,983	3,784,638
Unrestricted (Deficit)	212,333	(1,221,347)	5,946,813	5,237,449	6,159,146	4,016,102
Total Net Position	<u>\$24,457,769</u>	<u>\$21,847,743</u>	<u>\$22,431,857</u>	<u>\$21,027,193</u>	<u>\$46,889,626</u>	<u>\$42,874,936</u>

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
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The net pension liability (asset) and the net OPEB liability (asset) reported by the City at December 31, 2021, are reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability (asset), and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension or net OPEB liability. GASB Statements No. 68 and No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and State law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statements No. 68 and No. 75 require the net pension liability (asset) and the net OPEB liability (asset) to equal the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange", that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

In accordance with GASB Statements No. 68 and No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and the net OPEB liability (asset), respectively, not accounted for as deferred outflows/inflows.

Pension/OPEB changes noted in the above table reflect an overall decrease in deferred outflows and overall increase in deferred inflows. These changes are affected by changes in benefits, contribution rates, return on investments, and actuarial assumptions. The increase in the net pension/OPEB asset and decrease in the net pension/OPEB liability represent the City's proportionate share of the unfunded benefits.

Aside from the changes related to pension/OPEB, there were few other changes of note for governmental activities. The increase in current and other assets was generally due to an increase in cash and cash equivalents. This was largely due to grant resources received during the year that were not spent as of year end. There was also an increase in intergovernmental receivables for monies due from the Ohio Department of Transportation for the State Route 598 Widening Project and in notes receivable for a loan made to the Galion Port Authority. The increase in current and other liabilities results from a couple sources; an increase in contracts payable related to the State Route 598 Widening Project and in the amount due to the component unit for resources to be provided to the Board of Health.

The most significant change for business-type activities was the increase in current and other liabilities due to the timing of payments made to AMP for purchased power. The decrease in other long-term liabilities was scheduled debt retirement.

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Table 2 reflects the change in net position for 2021 and 2020.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<u>Revenues</u>						
<u>Program Revenues</u>						
Charges for Services	\$1,041,349	\$1,181,716	\$16,348,066	\$15,874,103	\$17,389,415	\$17,055,819
Operating Grants, Contributions, and Interest	1,455,827	1,085,657	0	0	1,455,827	1,085,657
Capital Grants and Contributions	683,124	1,992,476	138,135	0	821,259	1,992,476
Total Program Revenues	3,180,300	4,259,849	16,486,201	15,874,103	19,666,501	20,133,952
<u>General Revenues</u>						
Property Taxes Levied for General Purposes	341,343	341,052	0	0	341,343	341,052
Property Taxes Levied for Police and Fire Pension	62,660	62,486	0	0	62,660	62,486
Municipal Income Taxes Levied for General Purposes	2,836,054	2,746,078	0	0	2,836,054	2,746,078
Municipal Income Taxes Levied for Police and Fire	2,522,874	2,444,177	0	0	2,522,874	2,444,177
Municipal Income Taxes Levied for Recreation	312,477	301,900	0	0	312,477	301,900
Other Local Taxes	444,283	413,502	0	0	444,283	413,502
Grants and Entitlements not Restricted to Specific Programs	354,184	291,803	0	0	354,184	291,803
Franchise Taxes	136,559	136,539	0	0	136,559	136,539
Interest	(53,565)	469,844	(54)	2,533	(53,619)	472,377
Other	946,999	1,265,311	163,390	294,102	1,110,389	1,559,413
Total General Revenues	7,903,868	8,472,692	163,336	296,635	8,067,204	8,769,327
Total Revenues	11,084,168	12,732,541	16,649,537	16,170,738	27,733,705	28,903,279
<u>Program Expenses</u>						
<u>Security of Persons and Property</u>						
Police	2,227,666	2,586,360	0	0	2,227,666	2,586,360
Fire	2,303,252	2,353,080	0	0	2,303,252	2,353,080
Public Health	306,211	381,649	0	0	306,211	381,649
Leisure Time Activities	343,160	530,067	0	0	343,160	530,067
Community Environment	687,942	490,410	0	0	687,942	490,410
Transportation	1,332,025	1,614,167	0	0	1,332,025	1,614,167
General Government	1,205,408	1,522,917	0	0	1,205,408	1,522,917
Basic Utility Services	563	126,616	0	0	563	126,616
Interest and Fiscal Charges	24,411	31,282	0	0	24,411	31,282
Water	0	0	1,495,205	2,485,031	1,495,205	2,485,031
Sewer	0	0	1,905,948	2,437,796	1,905,948	2,437,796
Electric	0	0	11,548,998	12,311,466	11,548,998	12,311,466
Storm Water	0	0	338,226	453,610	338,226	453,610
Total Expenses	8,430,638	9,636,548	15,288,377	17,687,903	23,719,015	27,324,451

(continued)

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Increase (Decrease) in Net Position Before Transfers	\$2,653,530	\$3,095,993	\$1,361,160	(\$1,517,165)	\$4,014,690	\$1,578,828
Transfers	(43,504)	(44,438)	43,504	44,438	0	0
Increase (Decrease) in Net Position	2,610,026	3,051,555	1,404,664	(1,472,727)	4,014,690	1,578,828
Net Position Beginning of Year	21,847,743	18,796,188	21,027,193	22,499,920	42,874,936	41,296,108
Net Position End of Year	<u>\$24,457,769</u>	<u>\$21,847,743</u>	<u>\$22,431,857</u>	<u>\$21,027,193</u>	<u>\$46,889,626</u>	<u>\$42,874,936</u>

For governmental activities, there was a significant decrease in program revenues from the prior year mostly attributed to the decrease in capital grants and contributions. In the prior year, the City received significant contributions from the Ohio Department of Transportation for street improvements. The increase in operating grants and contributions was related to COVID relief monies. The decrease in general revenues was due to a combination of a decrease in interest earned on investments (and the fair value adjustment of investments) and the decrease in other revenue (a large reimbursement from the Bureau of Workers' Compensation received in the prior year). Expenses decreased due to the decrease in the OPEB expenses.

As is to be expected, 99 percent of the revenues for business-type activities are received through charges for services provided to the users of the systems. There was not a significant change in total revenues; however, total expense decreased significantly. This decrease can primarily be attributed to the decrease in OPEB expense as well as less sewer maintenance and storm water distribution expenses than the prior year.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Security of Persons and Property				
Police	\$2,227,666	\$2,586,360	\$2,154,951	\$2,545,361
Fire	2,303,252	2,353,080	1,579,469	1,722,790
Public Health	306,211	381,649	306,211	381,649
Leisure Time Activities	343,160	530,067	329,151	513,403
Community Environment	687,942	490,410	92,795	382,162
Transportation	1,332,025	1,614,167	(394,085)	(1,299,609)
General Government	1,205,408	1,522,917	1,157,435	1,099,427
Basic Utility Services	563	126,616	0	234
Interest and Fiscal Charges	24,411	31,282	24,411	31,282
Total Expenses	<u>\$8,430,638</u>	<u>\$9,636,548</u>	<u>\$5,250,338</u>	<u>\$5,376,699</u>

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

The dependence on general revenues to pay for the various services provided by the City is significant. The costs for fire services is partially offset by charges for services (28 percent), primarily due to the City's contract with Polk Township. Charges for services and various grants and contributions covered all of the costs of the transportation program for 2021. The transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes. In addition, in 2021, the City received a substantial contribution from the Ohio Department of Transportation for street improvements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and the Police and Fire Levy and Street Maintenance and Repair special revenue funds.

Fund balance increased 9 percent in the General Fund. There was a 14 percent decrease in revenues (resulting from a decrease in interest revenue and other revenue from the workers' compensation refund as discussed previously). There was also a 14 percent decrease in expenditures with the most significant decreases in the security of persons and property program (expenses allocated to Police and Fire Levy fund) and community environment (contributions made to the Galion Port Authority in the prior year).

Fund balance decreased in the Police and Fire Levy Fund. Revenues were similar to the prior year and expenditures increased. The resources in this fund are restricted to supplementing the General Fund in paying the costs of operations for the police and fire departments.

The increase in fund balance in the Street Maintenance and Repair Fund is due to increased support from State grants for street paving projects.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water, Sewer, Electric, and Storm Water funds.

The Water Fund had an operating income and increase in net position in 2021. This was primarily due to a decrease in expenses related to the decrease in pension/OPEB related expenses. This decrease led to a negative benefit expense for 2021.

The Sewer Fund had an operating loss and decrease in net position in 2020 (as it has for the past four years). Revenues decreased slightly from the prior year and the decrease in expenses was related to the decrease in pension/OPEB related expenses. This decrease led to a negative benefit expense for 2021.

The Electric Fund had an operating income and increase in net position for 2021. Charges for services continue to be sufficient to cover operating costs. The fund is also reporting a negative benefit expense due to the decrease in pension/OPEB expenses.

The Storm Water Fund had an operating income and increase in net position for 2021. Revenues increased slightly and expenses decreased. As with the other enterprise funds, the fund is reporting a negative benefit expense due to the decrease in pension/OPEB related expenses.

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January.

The City's most significant budgeted fund is the General Fund. For revenues, there was no change from the original budget to the final budget. Changes from the final budget to actual revenues were not significant. For expenditures, changes from the original budget to the final budget were primarily related to the City's subsidy to the Board and Health and for community environment programs. Changes from the final budget to actual expenditures were due to conservative budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2021, was \$21,099,231 and \$26,911,219, respectively (net of accumulated depreciation). The most significant additions for governmental activities were ongoing construction and street improvements. Disposals were minimal. Additions for the business-type activities included ongoing construction and water/sewer/storm water line installation. There were no disposals. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2021, the City had bond anticipation notes payable from governmental and business-type activities, in the amount of \$941,100 and \$1,665,800, respectively. The City also had a number of long-term obligations outstanding including \$1,166,000 in general obligation bonds, \$1,230,051 in Ohio Public Works Commission loans, and \$7,024,144 in Ohio Water Development Authority loans. Of this debt, \$9,167,274 will be paid from business-type activities.

In addition, the City's long-term obligations also include the net pension/OPEB liability as well as the liability for police and fire incurred when the State of Ohio established the statewide pension system, a loan for the acquisition of a fire truck, compensated absences, and a long-term obligation with AMP-Ohio. For further information regarding the City's debt, refer to Notes 19 and 20 to the basic financial statements.

CURRENT ISSUES

The City sold the South Street Commerce Center to Mosier Industrial Services Corporation in 2020. The remaining payments for the purchase will be made to the City in 2023.

The City is taking possession of the Central Hotel Apartments once all contractual details have been finalized.

Street paving included Carmel Avenue, East Church Street, Fortney Avenue, Gleddale Boulevard, Henry Street, McDonald Avenue, Nichols Drive, North Columbus Street, North Liberty Street, North Union Street, Orange Street, Pounder Avenue, Riblet Street, Rosewood Avenue, Walnut Street, and Wood Street.

The City completed phase 3 of the SE storm water project; phase 4 has been engineered and will be bid in 2022. The City is currently working on phase 2 of the bike path project.

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Construction has started on the State Route 598 widening project, in conjunction with the Ohio Department of Transportation. Construction should be completed by the end of 2022.

The City received a grant to reconstruct portions of the Square at the Gazebo. Construction has started on this project.

The airport runway project, through an FAA Grant, has begun and should be completed in 2022.

The City will be utilizing approximately \$400,000.00 in Freese Funds for various city park projects in 2022.

The City is in the designing and engineering phase of Water Treatment Plant upgrades funded by American Rescue Plan Act funds. Construction will begin in 2022 and will be completed in 2023.

The City, through capital improvement funds and a reimbursement from the Ohio Department of Transportation, is engineering and will be constructing a turn lane on Brandt Road at the State Route 598 intersection. Construction will begin at the end of 2022.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our city's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brian Saterfield, Auditor, City of Galion, 115 Harding Way East, Galion, Ohio 44833.

City of Galion
Statement of Net Position
Primary Government and Discretely Presented Component Units
December 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities*	Total*	Egbert M. Freese Foundation	City of Galion Board of Health
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$10,978,581	\$9,577,420	20,556,001	\$0	\$91,147
Investments in Segregated Accounts	0	0	0	12,411,671	0
Accounts Receivable	184,439	2,851,729	3,036,168	0	0
Accrued Interest Receivable	38,704	0	38,704	0	0
Due from Other Governments	749,771	704	750,475	0	83,329
Due from Primary Government	0	0	0	0	272,353
Municipal Income Taxes Receivable	1,879,454	0	1,879,454	0	0
Other Local Taxes Receivable	19,401	0	19,401	0	0
Excise Taxes Receivable	0	38,339	38,339	0	0
Internal Balances	35,460	(35,460)	0	0	0
Prepaid Items	123,814	65,151	188,965	0	7,900
Materials and Supplies Inventory	92,121	47,669	139,790	0	0
Property Taxes Receivable	446,860	0	446,860	0	0
Payment in Lieu of Taxes Receivable	12,819	25,658	38,477	0	0
Notes Receivable	1,285,141	0	1,285,141	0	0
Special Assessments Receivable	0	113,386	113,386	0	0
Net Pension Asset	8,492	13,740	22,232	0	2,747
Net OPEB Asset	139,185	225,156	364,341	0	45,031
Nondepreciable Capital Assets	5,369,105	2,214,516	7,583,621	0	0
Depreciable Capital Assets, Net	15,730,126	24,696,703	40,426,829	0	10,257
Investment in Joint Venture	0	(22,522)	(22,522)	0	0
Total Assets	37,093,473	39,812,189	76,905,662	12,411,671	512,764
<u>Deferred Outflows of Resources</u>					
Pension	1,229,074	335,020	1,554,596	0	103,004
OPEB	794,263	151,560	939,396	0	53,588
Total Deferred Outflows of Resources	2,023,337	486,580	2,493,992	0	156,592
<u>Liabilities</u>					
Accrued Wages Payable	189,225	72,712	261,937	0	15,594
Accounts Payable	49,087	1,937,301	1,986,388	0	2,578
Contracts Payable	225,774	9,726	235,500	0	0
Due to Other Governments	210,961	47,022	257,983	0	13,115
Due to Component Unit	272,353	0	272,353	0	0
Employee Withholdings Payable	18,425	0	18,425	0	0
Retainage Payable	10,320	0	10,320	0	0
Unearned Revenue	280,858	0	280,858	0	0
Accrued Interest Payable	7,652	22,476	30,128	0	0
Notes Payable	941,100	1,665,800	2,606,900	0	0
Deposits Held and Due to Others	0	315,154	315,154	0	0
Long-Term Liabilities					
Due Within One Year	259,907	1,785,327	2,045,234	0	18,275
Due in More Than One Year					
Net Pension Liability	7,647,327	1,959,683	9,607,010	0	391,937
Net OPEB Liability	1,000,270	0	1,000,270	0	0
Other Amounts Due in More Than One Year	994,819	8,498,779	9,493,598	0	3,086
Total Liabilities	12,108,078	16,313,980	28,422,058	0	444,585
<u>Deferred Inflows of Resources</u>					
Property Taxes	388,171	0	388,171	0	0
Payment in Lieu of Taxes	7,589	12,208	19,797	0	0
Pension	1,329,618	851,608	2,171,728	0	173,046
OPEB	825,585	689,116	1,508,274	0	138,896
Total Deferred Inflows of Resources	2,550,963	1,552,932	4,087,970	0	311,942

(continued)

City of Galion
Statement of Net Position
Primary Government and Discretely Presented Component Units
December 31, 2021
(continued)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities*	Total*	Egbert M. Freese Foundation	City of Galion Board of Health
<u>Net Position</u>					
Net Investment in Capital Assets	\$19,655,453	\$16,485,044	\$36,140,497	\$0	\$10,257
Restricted for					
Capital Projects	1,158,893	0	1,158,893	0	0
Police and Fire	1,185,067	0	1,185,067	0	0
Street Maintenance	505,818	0	505,818	0	0
Revolving Loans	1,078,017	0	1,078,017	0	0
Other Purposes	662,188	0	662,188	0	100,602
Unrestricted (Deficit)	212,333	5,946,813	6,159,146	12,411,671	(198,030)
Total Net Position (Deficit)	\$24,457,769	\$22,431,857	\$46,889,626	\$12,411,671	(\$87,171)

* After deferred outflows and deferred inflows related to the change in internal proportionate share of pension/OPEB related items have been eliminated.

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Activities
Primary Government and Discretely Presented Component Units
For the Year Ended December 31, 2021

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities</u>				
<u>Security of Persons and Property</u>				
Police	\$2,227,666	\$34,925	\$37,790	\$0
Fire	2,303,252	648,520	75,263	0
Public Health	2,331	0	0	0
Health Department Contribution	303,880	0	0	0
Leisure Time Activities	343,160	12,100	159	1,750
Community Environment	687,942	0	595,147	0
Transportation	1,332,025	314,961	729,775	681,374
General Government	1,205,408	30,843	17,130	0
Basic Utility Services	563	0	563	0
Interest and Fiscal Charges	24,411	0	0	0
Total Governmental Activities	<u>8,430,638</u>	<u>1,041,349</u>	<u>1,455,827</u>	<u>683,124</u>
<u>Business-Type Activities</u>				
Water	1,495,205	1,989,166	0	0
Sewer	1,905,948	1,528,148	0	0
Electric	11,548,998	12,163,898	0	0
Storm Water	338,226	666,854	0	138,135
Total Business-Type Activities	<u>15,288,377</u>	<u>16,348,066</u>	<u>0</u>	<u>138,135</u>
Total Primary Government	<u>\$23,719,015</u>	<u>\$17,389,415</u>	<u>\$1,455,827</u>	<u>\$821,259</u>
<u>Component Units</u>				
Egbert M. Freese Foundation	\$1,575,434	\$0	\$0	\$0
City of Galion Board of Health	682,600	247,878	664,809	0
Total Discretely Presented Component Units	<u>\$2,258,034</u>	<u>\$247,878</u>	<u>\$664,809</u>	<u>\$0</u>
Total	<u>\$25,977,049</u>	<u>\$17,637,293</u>	<u>\$2,120,636</u>	<u>\$821,259</u>

General Revenues

Property Taxes Levied for General Purposes
Property Taxes Levied for Police and Fire Pension
Municipal Income Taxes Levied for General Purposes
Municipal Income Taxes Levied for Police and Fire
Municipal Income Taxes Levied for Recreation
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) Beginning of Year

Net Position (Deficit) End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation	City of Galion Board of Health
(\$2,154,951)	\$0	(\$2,154,951)	\$0	\$0
(1,579,469)	0	(1,579,469)	0	0
(2,331)	0	(2,331)	0	0
(303,880)	0	(303,880)	0	0
(329,151)	0	(329,151)	0	0
(92,795)	0	(92,795)	0	0
394,085	0	394,085	0	0
(1,157,435)	0	(1,157,435)	0	0
0	0	0	0	0
(24,411)	0	(24,411)	0	0
(5,250,338)	0	(5,250,338)	0	0
0	493,961	493,961	0	0
0	(377,800)	(377,800)	0	0
0	614,900	614,900	0	0
0	466,763	466,763	0	0
0	1,197,824	1,197,824	0	0
(5,250,338)	1,197,824	(4,052,514)	0	0
0	0	0	(1,575,434)	0
0	0	0	0	230,087
0	0	0	(1,575,434)	230,087
(5,250,338)	1,197,824	(4,052,514)	(1,575,434)	230,087
341,343	0	341,343	0	0
62,660	0	62,660	0	0
2,836,054	0	2,836,054	0	0
2,522,874	0	2,522,874	0	0
312,477	0	312,477	0	0
444,283	0	444,283	0	0
354,184	0	354,184	0	0
136,559	0	136,559	0	0
(53,565)	(54)	(53,619)	2,358,255	0
946,999	163,390	1,110,389	0	58,179
7,903,868	163,336	8,067,204	2,358,255	58,179
(43,504)	43,504	0	0	0
7,860,364	206,840	8,067,204	2,358,255	58,179
2,610,026	1,404,664	4,014,690	782,821	288,266
21,847,743	21,027,193	42,874,936	11,628,850	(375,437)
<u>\$24,457,769</u>	<u>\$22,431,857</u>	<u>\$46,889,626</u>	<u>\$12,411,671</u>	<u>(\$87,171)</u>

City of Galion
Balance Sheet
Governmental Funds
December 31, 2021

	General	Police and Fire Levy	Street Maintenance and Repair	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$7,417,743	\$465,874	\$10,173	\$3,067,330	\$10,961,120
Accounts Receivable	178,947	0	4,550	942	184,439
Accrued Interest Receivable	38,704	0	0	0	38,704
Due from Other Governments	155,751	641	476,394	116,985	749,771
Municipal Income Taxes Receivable	939,727	845,755	0	93,972	1,879,454
Other Local Taxes Receivable	1,272	0	0	18,129	19,401
Interfund Receivable	1,084,758	0	0	0	1,084,758
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	17,461	0	0	0	17,461
Prepaid Items	71,359	41,123	5,693	5,639	123,814
Materials and Supplies Inventory	0	0	75,568	16,553	92,121
Property Taxes Receivable	377,532	0	0	69,328	446,860
Payment in Lieu of Taxes Receivable	0	0	12,819	0	12,819
Notes Receivable	300,000	0	0	985,141	1,285,141
Total Assets	\$10,583,254	\$1,353,393	\$585,197	\$4,374,019	\$16,895,863
<u>Liabilities</u>					
Accrued Wages Payable	\$46,044	\$130,138	\$9,602	\$3,441	\$189,225
Accounts Payable	37,061	0	8,475	3,551	49,087
Contracts Payable	0	0	198,410	27,364	225,774
Due to Other Governments	101,701	38,188	10,119	60,953	210,961
Due to Component Unit	0	0	0	272,353	272,353
Employee Withholdings Payable	18,425	0	0	0	18,425
Interfund Payable	0	0	0	1,049,298	1,049,298
Retainage Payable	0	0	0	10,320	10,320
Unearned Revenue	0	0	0	280,858	280,858
Accrued Interest Payable	0	0	3,569	2,696	6,265
Notes Payable	0	0	536,100	405,000	941,100
Total Liabilities	203,231	168,326	766,275	2,115,834	3,253,666
<u>Deferred Inflows of Resources</u>					
Property Taxes	328,113	0	0	60,058	388,171
Payment in Lieu of Taxes	0	0	7,589	0	7,589
Unavailable Revenue	1,056,522	633,823	232,419	186,248	2,109,012
Total Deferred Inflows of Resources	1,384,635	633,823	240,008	246,306	2,504,772
<u>Fund Balance</u>					
Nonspendable	88,820	41,123	81,261	22,192	233,396
Restricted	0	510,121	0	2,786,467	3,296,588
Assigned	204,790	0	0	0	204,790
Unassigned (Deficit)	8,701,778	0	(502,347)	(796,780)	7,402,651
Total Fund Balance (Deficit)	8,995,388	551,244	(421,086)	2,011,879	11,137,425
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$10,583,254	\$1,353,393	\$585,197	\$4,374,019	\$16,895,863

See Accompanying Notes to the Basic Financial Statements

City of Galion
Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
December 31, 2021

Total Governmental Fund Balance		\$11,137,425
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		21,099,231
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	135,782	
Accrued Interest Receivable	37,661	
Due from Other Governments	469,128	
Municipal Income Taxes Receivable	1,403,202	
Delinquent Property Taxes Receivable	58,689	
Payment in Lieu of Taxes Receivable	<u>4,550</u>	
		2,109,012
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds; it is reported when due.		(1,387)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
OPWC Loans Payable	(252,921)	
Police Liability	(17,086)	
Fire Liability	(64,770)	
Capital Loan Payable	(40,327)	
Compensated Absences Payable	<u>(879,622)</u>	
		(1,254,726)
The net pension liability (asset) and net OPEB liability (asset) are not due and payable in the current period; therefore, the asset, liability, and related deferred outflows/inflows are not reported in governmental funds.		
Net Pension Asset	8,492	
Deferred Outflows - Pension	1,229,074	
Deferred Inflows - Pension	(1,329,618)	
Net Pension Liability	(7,647,327)	
Net OPEB Asset	139,185	
Deferred Outflows - OPEB	794,263	
Deferred Inflows - OPEB	(825,585)	
Net OPEB Liability	<u>(1,000,270)</u>	
		<u>(8,631,786)</u>
Net Position of Governmental Activities		<u><u>\$24,457,769</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2021

	General	Police and Fire Levy	Street Maintenance and Repair	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$341,666	\$0	\$0	\$62,500	\$404,166
Municipal Income Taxes	2,940,802	2,616,609	0	323,488	5,880,899
Other Local Taxes	444,816	0	0	239,511	684,327
Charges for Services	915,163	0	958	105,054	1,021,175
Fees, Licenses, and Permits	147,384	0	0	0	147,384
Fines and Forfeitures	4,959	0	0	29,966	34,925
Intergovernmental	372,345	0	1,125,950	912,819	2,411,114
Interest	(55,994)	714	19	(485)	(55,746)
Other	42,441	2,500	59,773	869,845	974,559
Total Revenues	5,153,582	2,619,823	1,186,700	2,542,698	11,502,803
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	794,252	1,435,398	0	268,034	2,497,684
Fire	324,686	1,394,663	0	361,494	2,080,843
Public Health					
Health Department Contribution	303,880	0	0	0	303,880
Leisure Time Activities	0	0	0	347,550	347,550
Community Environment	75,000	0	0	612,942	687,942
Transportation	0	0	1,685,255	392,824	2,078,079
General Government	1,700,526	0	0	3,807	1,704,333
Basic Utility Services	0	0	0	563	563
Debt Service:					
Principal Retirement	70,774	0	0	28,907	99,681
Interest and Fiscal Charges	4,702	0	8,639	11,885	25,226
Total Expenditures	3,273,820	2,830,061	1,693,894	2,028,006	9,825,781
Excess of Revenues Over (Under) Expenditures	1,879,762	(210,238)	(507,194)	514,692	1,677,022
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	579,300	562,237	1,141,537
Transfers Out	(1,113,235)	0	0	(71,806)	(1,185,041)
Total Other Financing Sources (Uses)	(1,113,235)	0	579,300	490,431	(43,504)
Changes in Fund Balance	766,527	(210,238)	72,106	1,005,123	1,633,518
Fund Balance (Deficit) Beginning of Year	8,228,861	761,482	(493,192)	1,006,756	9,503,907
Fund Balance (Deficit) End of Year	\$8,995,388	\$551,244	(\$421,086)	\$2,011,879	\$11,137,425

See Accompanying Notes to the Basic Financial Statements

City of Galion
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2021

Changes in Fund Balance - Total Governmental Funds \$1,633,518

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on 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 capital outlay exceeded depreciation in the current year.

Capital Outlay - Nondepreciable Capital Assets	914,270	
Capital Outlay - Depreciable Capital Assets	411,503	
Depreciation	<u>(1,092,493)</u>	233,280

The cost of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (12)

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

Delinquent Property Taxes	(163)	
Municipal Income Taxes	(209,494)	
Other Local Taxes	(1,066)	
Charges for Services	(264,017)	
Fees, Licenses, and Permits	(537)	
Intergovernmental	81,635	
Interest	2,567	
Other	<u>(27,560)</u>	(418,635)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.

OPWC Loans Payable	24,476	
Police Liability	925	
Fire Liability	3,506	
Capital Loan Payable	39,194	
Capital Leases Payable	<u>31,580</u>	99,681

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. 815

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (27,398)

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

Pension	(393,171)	
OPEB	<u>785,267</u>	392,096

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

Pension	683,860	
OPEB	<u>12,821</u>	696,681

Change in Net Position of Governmental Activities \$2,610,026

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$336,000	\$336,000	\$341,666	\$5,666
Municipal Income Taxes	2,700,000	2,700,000	2,887,100	187,100
Other Local Taxes	419,500	419,500	438,627	19,127
Charges for Services	858,657	858,657	927,308	68,651
Fees, Licenses, and Permits	145,640	145,640	147,384	1,744
Fines and Forfeitures	6,500	6,500	5,451	(1,049)
Intergovernmental	367,331	367,331	370,154	2,823
Interest	180,000	180,000	(55,974)	(235,974)
Other	14,150	14,150	19,125	4,975
Total Revenues	5,027,778	5,027,778	5,080,841	53,063
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	956,208	990,888	878,969	111,919
Fire	484,523	484,523	393,181	91,342
Public Health				
Health Department Contribution	0	303,880	303,880	0
Community Environment	60,000	435,000	375,250	59,750
General Government	1,979,490	2,019,490	1,779,522	239,968
Debt Service:				
Principal Retirement	235,000	235,000	39,194	195,806
Interest and Fiscal Charges	5,800	5,800	2,379	3,421
Total Expenditures	3,721,021	4,474,581	3,772,375	702,206
Excess of Revenues Over Expenditures	1,306,757	553,197	1,308,466	755,269
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	13,442	13,442	22,428	8,986
Other Financing Uses	0	(20,000)	(9,500)	10,500
Advances In	100,000	100,000	0	(100,000)
Advances Out	0	(698,865)	(698,865)	0
Transfers Out	(1,667,880)	(1,411,316)	(1,113,235)	298,081
Total Other Financing Sources (Uses)	(1,554,438)	(2,016,739)	(1,799,172)	217,567
Changes in Fund Balance	(247,681)	(1,463,542)	(490,706)	972,836
Fund Balance Beginning of Year	7,606,670	7,606,670	7,606,670	0
Prior Year Encumbrances Appropriated	107,993	107,993	107,993	0
Fund Balance End of Year	\$7,466,982	\$6,251,121	\$7,223,957	\$972,836

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Police and Fire Levy Special Revenue Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		
<u>Revenues</u>				
Municipal Income Taxes	\$2,315,000	\$2,315,000	\$2,568,815	\$253,815
Interest	0	0	714	714
Other	11,000	11,000	0	(11,000)
Total Revenues	2,326,000	2,326,000	2,569,529	243,529
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,569,618	1,569,618	1,417,149	152,469
Fire	1,419,740	1,442,740	1,370,553	72,187
Total Expenditures	2,989,358	3,012,358	2,787,702	224,656
Excess of Revenues Under Expenditures	(663,358)	(686,358)	(218,173)	468,185
<u>Other Financing Sources</u>				
Other Financing Sources	35,000	35,000	1,859	(33,141)
Changes in Fund Balance	(628,358)	(651,358)	(216,314)	435,044
Fund Balance Beginning of Year	645,094	645,094	645,094	0
Prior Year Encumbrances Appropriated	37,094	37,094	37,094	0
Fund Balance End of Year	\$53,830	\$30,830	\$465,874	\$435,044

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Street Maintenance and Repair Special Revenue Fund
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		
<u>Revenues</u>				
Charges for Services	\$0	\$0	\$958	\$958
Intergovernmental	558,000	863,168	922,770	59,602
Interest	0	0	19	19
Other	5,000	5,000	8,622	3,622
Total Revenues	563,000	868,168	932,369	64,201
<u>Expenditures</u>				
Current:				
Street Maintenance				
Transportation	1,849,787	2,377,981	1,670,485	707,496
Debt Service:				
Principal Retirement	474,000	746,200	543,800	202,400
Interest and Fiscal Charges	18,700	18,700	9,221	9,479
Total Expenditures	2,342,487	3,142,881	2,223,506	919,375
Excess of Revenues Under Expenditures	(1,779,487)	(2,274,713)	(1,291,137)	983,576
<u>Other Financing Sources</u>				
Other Financing Sources	0	0	45,425	45,425
Bond Anticipation Notes Issued	415,100	415,100	536,100	121,000
Capital Loans Issued	850,000	850,000	0	(850,000)
Transfers In	421,000	421,000	579,300	158,300
Total Other Financing Sources	1,686,100	1,686,100	1,160,825	(525,275)
Changes in Fund Balance	(93,387)	(588,613)	(130,312)	458,301
Fund Balance (Deficit) Beginning of Year	(86,937)	(86,937)	(86,937)	0
Prior Year Encumbrances Appropriated	93,637	93,637	93,637	0
Fund Balance (Deficit) End of Year	(\$86,687)	(\$581,913)	(\$123,612)	\$458,301

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Fund Net Position
Proprietary Funds
December 31, 2021

	Water	Sewer	Electric	Storm Water	Total
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$696,609	\$1,846,122	\$4,944,560	\$1,774,975	\$9,262,266
Accounts Receivable	372,443	294,761	2,104,986	79,539	2,851,729
Due from Other Governments	213	200	219	72	704
Excise Taxes Receivable	0	0	38,339	0	38,339
Interfund Receivable	0	0	17,976	0	17,976
Prepaid Items	24,182	17,412	17,873	5,684	65,151
Materials and Supplies Inventory	31,940	1,772	13,957	0	47,669
Payment in Lieu of Taxes Receivable	3,848	7,522	0	14,288	25,658
Special Assessments Receivable	10,860	17,719	0	0	28,579
Total Current Assets	1,140,095	2,185,508	7,137,910	1,874,558	12,338,071
<u>Non-Current Assets</u>					
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	89,394	85,457	140,303	0	315,154
Special Assessments Receivable	32,227	52,580	0	0	84,807
Net Pension Asset	4,746	3,748	3,995	1,251	13,740
Net OPEB Asset	77,781	61,405	65,501	20,469	225,156
Nondepreciable Capital Assets	902,699	1,143,202	165,114	3,501	2,214,516
Depreciable Capital Assets, Net	4,670,140	5,438,898	9,072,991	5,514,674	24,696,703
Investment in Joint Venture	0	0	(22,522)	0	(22,522)
Total Non-Current Assets	5,776,987	6,785,290	9,425,382	5,539,895	27,527,554
Total Assets	6,917,082	8,970,798	16,563,292	7,414,453	39,865,625
<u>Deferred Outflows of Resources</u>					
Pension	123,327	92,271	78,742	64,139	358,479
OPEB	56,506	42,152	32,526	33,307	164,491
Total Deferred Outflows of Resources	179,833	134,423	111,268	97,446	522,970
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	24,195	20,943	21,120	6,454	72,712
Accounts Payable	42,844	11,568	1,873,784	9,105	1,937,301
Contracts Payable	3,850	4,375	0	1,501	9,726
Due to Other Governments	14,583	11,749	15,651	5,039	47,022
Compensated Absences Payable	33,455	53,609	29,538	12,682	129,284
Interfund Payable	0	17,976	35,460	0	53,436
Accrued Interest Payable	0	4,582	16,938	956	22,476
Notes Payable	0	688,200	834,000	143,600	1,665,800
General Obligation Bonds Payable	0	0	952,000	0	952,000
OPWC Loans Payable	8,779	12,686	0	31,285	52,750
OWDA Loans Payable	300,034	293,461	0	0	593,495
AMP Ohio Payable	0	0	57,798	0	57,798
Total Current Liabilities	427,740	1,119,149	3,836,289	210,622	5,593,800

City of Galion
Statement of Fund Net Position
Proprietary Funds
December 31, 2021
(continued)

	Water	Sewer	Electric	Storm Water	Total
<u>Non-Current Liabilities</u>					
Deposits Held and Due to Others	\$89,394	\$85,457	\$140,303	\$0	\$315,154
Compensated Absences Payable	145,242	278,716	128,945	16,570	569,473
General Obligation Bonds Payable	0	0	214,000	0	214,000
OPWC Loans Payable	14,000	228,340	0	682,040	924,380
OWDA Loans Payable	3,466,543	2,964,106	0	0	6,430,649
AMP Ohio Payable	0	0	360,277	0	360,277
Net Pension Liability	676,981	534,460	570,090	178,152	1,959,683
Total Non-Current Liabilities	<u>4,392,160</u>	<u>4,091,079</u>	<u>1,413,615</u>	<u>876,762</u>	<u>10,773,616</u>
Total Liabilities	<u>4,819,900</u>	<u>5,210,228</u>	<u>5,249,904</u>	<u>1,087,384</u>	<u>16,367,416</u>
<u>Deferred Inflows of Resources</u>					
Payment in Lieu of Taxes	1,980	3,599	0	6,629	12,208
Pension	298,480	240,284	257,882	78,421	875,067
OPEB	240,205	191,987	205,789	64,066	702,047
Total Deferred Inflows of Resources	<u>540,665</u>	<u>435,870</u>	<u>463,671</u>	<u>149,116</u>	<u>1,589,322</u>
<u>Net Position</u>					
Net Investment in Capital Assets	1,783,483	2,803,707	7,238,105	4,659,749	16,485,044
Unrestricted (Deficit)	(47,133)	655,416	3,722,880	1,615,650	5,946,813
Total Net Position	<u>\$1,736,350</u>	<u>\$3,459,123</u>	<u>\$10,960,985</u>	<u>\$6,275,399</u>	<u>\$22,431,857</u>

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Water	Sewer	Electric	Storm Water	Total
<u>Operating Revenues</u>					
Charges for Services	\$1,989,166	\$1,528,148	\$12,163,898	\$666,854	\$16,348,066
Other	38,259	6,942	65,098	53,091	163,390
Total Operating Revenues	<u>2,027,425</u>	<u>1,535,090</u>	<u>12,228,996</u>	<u>719,945</u>	<u>16,511,456</u>
<u>Operating Expenses</u>					
Salaries	676,994	683,313	633,080	174,941	2,168,328
Benefits	(197,589)	(102,134)	(182,749)	(113,686)	(596,158)
Contractual Services	371,059	327,371	10,454,179	73,231	11,225,840
Materials and Supplies	273,820	232,920	156,105	49,832	712,677
Depreciation	247,095	629,089	378,112	151,519	1,405,815
Other	0	5,173	0	0	5,173
Total Operating Expenses	<u>1,371,379</u>	<u>1,775,732</u>	<u>11,438,727</u>	<u>335,837</u>	<u>14,921,675</u>
Operating Income (Loss)	<u>656,046</u>	<u>(240,642)</u>	<u>790,269</u>	<u>384,108</u>	<u>1,589,781</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest Revenue	0	0	(54)	0	(54)
Interest Expense	(123,826)	(130,216)	(89,117)	(2,389)	(345,548)
Loss from Joint Venture	0	0	(21,154)	0	(21,154)
Total Non-Operating Revenues (Expenses)	<u>(123,826)</u>	<u>(130,216)</u>	<u>(110,325)</u>	<u>(2,389)</u>	<u>(366,756)</u>
Income (Loss) before Transfers and Contributions	532,220	(370,858)	679,944	381,719	1,223,025
Transfers In	27,287	44,519	0	0	71,806
Transfers Out	(10,755)	(17,547)	0	0	(28,302)
Capital Contributions	0	0	0	138,135	138,135
Changes in Net Position	548,752	(343,886)	679,944	519,854	1,404,664
Net Position Beginning of Year	<u>1,187,598</u>	<u>3,803,009</u>	<u>10,281,041</u>	<u>5,755,545</u>	<u>21,027,193</u>
Net Position End of Year	<u>\$1,736,350</u>	<u>\$3,459,123</u>	<u>\$10,960,985</u>	<u>\$6,275,399</u>	<u>\$22,431,857</u>

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Water	Sewer	Electric	Storm Water	Total
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$2,013,688	\$1,545,999	\$12,381,007	\$737,539	\$16,678,233
Cash Received from Deposits	17,406	16,877	36,318	0	70,601
Cash Received from Other Revenues	51,935	36,194	64,811	45,145	198,085
Cash Payments for Salaries	(747,792)	(585,638)	(619,813)	(178,609)	(2,131,852)
Cash Payments for Benefits	(338,271)	(290,454)	(296,676)	(79,458)	(1,004,859)
Cash Payments for Contractual Services	(426,123)	(356,637)	(9,508,472)	(76,802)	(10,368,034)
Cash Payments for Materials and Supplies	(328,790)	(243,656)	(156,330)	(43,395)	(772,171)
Cash Payments for Deposits Refunded	(15,259)	(14,884)	(29,410)	0	(59,553)
Cash Payments for Other Expenses	(107,877)	(91,122)	(91,090)	(21,517)	(311,606)
Net Cash Provided by Operating Activities	<u>118,917</u>	<u>16,679</u>	<u>1,780,345</u>	<u>382,903</u>	<u>2,298,844</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Capital Grants	0	0	0	138,135	138,135
Principal Paid on Bond Anticipation Notes	0	(688,200)	(834,000)	(135,900)	(1,658,100)
Principal Paid on General Obligation Bonds	0	0	(911,000)	0	(911,000)
Principal Paid on OPWC Loans	(15,833)	(12,686)	0	(46,927)	(75,446)
Principal Paid on OWDA Loans	(286,492)	(249,794)	0	0	(536,286)
Interest Paid on Bond Anticipation Notes	0	(11,837)	(14,345)	(2,470)	(28,652)
Interest Paid on General Obligation Bonds	0	0	(84,632)	0	(84,632)
Interest Paid on OWDA Loans	(120,078)	(112,937)	0	0	(233,015)
Bond Anticipation Notes Issued	0	688,200	834,000	143,600	1,665,800
Acquisition of Capital Assets	(40,317)	(46,803)	0	(437,019)	(524,139)
Net Cash Used for Capital and Related Financing Activities	<u>(462,720)</u>	<u>(434,057)</u>	<u>(1,009,977)</u>	<u>(340,581)</u>	<u>(2,247,335)</u>
<u>Cash Flows from Investing Activities</u>					
Interest	0	0	(54)	0	(54)
Net Increase (Decrease) in Cash and Cash Equivalents	(343,803)	(417,378)	770,314	42,322	51,455
Cash and Cash Equivalents Beginning of Year	<u>1,129,806</u>	<u>2,348,957</u>	<u>4,314,549</u>	<u>1,732,653</u>	<u>9,525,965</u>
Cash and Cash Equivalents End of Year	<u><u>\$786,003</u></u>	<u><u>\$1,931,579</u></u>	<u><u>\$5,084,863</u></u>	<u><u>\$1,774,975</u></u>	<u><u>\$9,577,420</u></u>

City of Galion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021
(continued)

	Water	Sewer	Electric	Storm Water	Total
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Operating Income (Loss)	\$656,046	(\$240,642)	\$790,269	\$384,108	\$1,589,781
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>					
Depreciation	247,095	629,089	378,112	151,519	1,405,815
Changes in Assets and Liabilities:					
Decrease in Accounts Receivable	40,182	51,066	193,003	70,470	354,721
Increase in Due from Other Governments	(213)	(200)	(219)	(72)	(704)
Increase in Excise Taxes Receivable	0	0	(6,494)	0	(6,494)
Decrease in Interfund Receivable	0	0	24,039	0	24,039
(Increase) Decrease in Prepaid Items	(2,679)	1,018	4,343	385	3,067
(Increase) Decrease in Materials and Supplies Inventory	(14,319)	5,934	(13,957)	0	(22,342)
Increase in Payment in Lieu of Taxes Receivable	(1,868)	(3,923)	0	(7,659)	(13,450)
Decrease in Special Assessments Receivable	97	160	0	0	257
Increase (Decrease) in Accrued Wages Payable	1,408	(667)	203	2,362	3,306
Increase (Decrease) in Accounts Payable	(13,164)	(48,701)	1,029,639	4,178	971,952
Increase (Decrease) in Contracts Payable	(53,768)	4,375	(18,714)	(715)	(68,822)
Increase (Decrease) in Due to Other Governments	678	(2,045)	281	1,692	606
Increase (Decrease) in Compensated Absences Payable	(72,206)	98,342	13,064	(6,030)	33,170
Decrease in Interfund Payable	(133,103)	(85,014)	(84,549)	(21,518)	(324,184)
Increase in Deposits Held and Due to Others	2,147	1,993	6,908	0	11,048
Decrease in AMP Ohio Payable	0	0	(53,608)	0	(53,608)
Increase in Net Pension Asset	(560)	(443)	(472)	(148)	(1,623)
Decrease in Net Pension Liability	(3,627)	(2,863)	(3,055)	(955)	(10,500)
Decrease in Deferred Outflows - Pension	145,411	137,157	110,571	54,421	447,560
Decrease in Deferred Inflows - Pension	(213,213)	(167,407)	(184,360)	(106,771)	(671,751)
Increase in Net OPEB Asset	(375,897)	(296,760)	(316,545)	(98,920)	(1,088,122)
Decrease in Deferred Outflows - OPEB	82,557	72,501	59,265	33,973	248,296
Decrease in Deferred Inflows - OPEB	(172,087)	(136,291)	(147,379)	(77,417)	(533,174)
Net Cash Provided by Operating Activities	<u>\$118,917</u>	<u>\$16,679</u>	<u>\$1,780,345</u>	<u>\$382,903</u>	<u>\$2,298,844</u>

Non-Cash Capital Transactions

At December 31, 2021, the Storm Water enterprise fund had payables related to the acquisition of capital assets, in the amount of \$1,501.

At December 31, 2020, the Storm Water enterprise fund had payables related to the acquisition of capital assets, in the amount of \$1,498.

See Accompanying Notes to the Basic Financial Statements

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - DESCRIPTION OF THE CITY OF GALION AND THE REPORTING ENTITY

A. The City

The City of Galion is a statutory municipal corporation operating under the laws of the State of Ohio. Galion was incorporated as a city in 1842.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member council and a council president, each elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. All City officials, with the exception of the Service-Safety Director, are elected positions. The Service-Safety Director is appointed by the Mayor.

The City of Galion is divided into various departments and financial management and control systems. Services provided include police protection, fire protection, ambulance, health services, parks and recreation, airport facilities, street maintenance and repair, and water, sewer, electric, and storm water services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Galion consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Galion, this includes all departments and activities that are directly operated by the elected City officials.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of 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, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

Discretely Presented Component Unit

The component unit column on the financial statements identifies the financial data of the City's component units, the Egbert M. Freese Foundation and the City of Galion Board of Health. They are reported separately to emphasize that they are legally separate from the City. Information about these component units is presented in Note 23 and 24 to the basic financial statements.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - DESCRIPTION OF THE CITY OF GALION AND THE REPORTING ENTITY
(continued)

Egbert M. Freese Foundation - The Egbert M. Freese Foundation (Foundation) is a not-for-profit corporation. The Foundation is organized, and at all times is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the City of Galion. Upon the dissolution of the Foundation, after payment of all liabilities, all assets of the Foundation shall be transferred to the City of Galion. It is intended that the Foundation allocate its funds in such a way that one-eighth of the income is used for college scholarships for worthy high school graduates in the City, with the remaining income to be generally used for upkeep and maintenance of City facilities that benefit the citizens of the City or to pay costs of improvements as shown on the City's current capital improvements plan and which are otherwise suitable to the memory of Egbert M. Freese. For 2021, the City received \$518,958 from the Foundation. Information on the Foundation may be obtained from the Law Offices of Hottenroth, Garverick, Tilson & Co., L.P.A., 126 South Market Street, P.O. Box 477, Galion, Ohio 44833.

City of Galion Board of Health - The City of Galion Board of Health is a legally separate non-profit organization served by a six member Board appointed by the City of Galion and the City provides substantial funding for the Board of Health. Due to the City's ability to impose its will on the Board of Health and the financial burden of the Board of Health on the City, the Board of Health is a component unit of the City. Separately issued financial statements for the Board of Health can be obtained from the City of Galion Health Department, 113 Harding Way East, Galion, Ohio, 44833.

The City of Galion participates in a public entity shared risk pool, a joint venture, two jointly governed organizations, and two related organizations. These organizations are the Public Entities Pool of Ohio, the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Galion/Polk Township Community Improvement Corporation, the Regional Income Tax Agency (RITA), the Galion Public Library, and the Galion Port Authority. These organizations are presented in Notes 25, 26, 27, and 28 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The City's basic financial statements consist of government-wide financial 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 Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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 activities and business-type activities. 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 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.

B. 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. The funds of the City are reported in two categories; governmental and proprietary.

Governmental Funds

Governmental funds are those through which most governmental functions of the City 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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities 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 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 expended or transferred according to the general laws of Ohio.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Police and Fire Levy Fund - The Police and Fire Levy special revenue fund accounts for voted .39 and .5 percent income tax levies restricted to provide resources for operating the police and fire departments.

Street Maintenance and Repair Fund - The Street Maintenance and Repair special revenue fund accounts for ninety-two and one-half (92.5%) of the state gasoline tax and motor vehicle registration fees restricted for street maintenance and repair of streets within the City.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

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. The following are the City's major enterprise funds:

Water Fund - This fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.

Sewer Fund - This fund accounts for the provision of sanitary sewer service to residential and commercial users within the City.

Electric Fund - This fund accounts for the provision of electricity to residential and commercial users within the City.

Storm Water Fund - This fund accounts for the operation of the storm water collection system within the City.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects 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 financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for 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 these funds are included on the statement of fund net position.

For enterprise funds, the statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise activities.

D. 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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues 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 the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means 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 after year end.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from income taxes is recognized in the year in which the income is earned. 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 both measurable and available at year end: income taxes, charges for services, fines and forfeitures, state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not yet been met because these amounts have not yet been earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the City, deferred outflows of resources are reported on the government-wide and enterprise funds statement of net position for pension/OPEB and explained in Note 16 and Note 17 to the basic financial statements.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources consists of property taxes, payment in lieu of taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2021, but which were levied to finance 2022 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, payment in lieu of taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 19. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and enterprise funds statement of net position and explained in Note 16 and Note 17 to the basic financial statements.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures

On the accrual basis, 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.

E. Budgetary Process

All funds are required to be budgeted and appropriated. 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 indicates the projected revenues and expenditures for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

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

The appropriations ordinance 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 appropriations ordinance 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 City Council during the year.

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2021, the City invested in mutual funds, negotiable certificates of deposit, local government securities, federal agency securities, U.S. treasury securities, and STAR Ohio. Investments are reported at fair value. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The City measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2021, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million requiring the excess amount to be transacted the following business day(s) but only to the \$250 million limit. All accounts of the participant will be combined for this purpose.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Due to a decrease in the fair value of the City's investments, the General Fund reported negative interest revenue in 2021.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Unclaimed monies that have a legal restriction on their use are reported as restricted.

Utility deposits from customers are classified as restricted assets on the statement of fund net position because their use is limited to the payment of unpaid utility bills or refunding of the deposit to the customer.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2021, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Inventory

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

J. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The City maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	10-100 years	13-100 years
Improvements Other Than Buildings	20-25 years	30-100 years
Streets	10-40 years	N/A
Bridges	50 years	N/A
Water, Sewer, Electric, and Storm Water Lines	N/A	30-50 years
Equipment	5-20 years	10-50 years
Vehicles	5-30 years	10-15 years

K. Interfund Activity

On fund financial statements, receivables and payables resulting from short-term interfund loans or unpaid amounts for interfund services provided are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net position except for any net residual amounts due between governmental and business-type activities. These amounts are reflected as "Internal Balances".

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred outflows of resources and deferred inflows of resources from the change in proportionate share related to pension/OPEB items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column on the government-wide statement of net position.

L. Compensated Absences

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

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 wage rates at year end taking into consideration any limits specified in the City's union contracts. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service with the City.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise funds are reported on the enterprise 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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. The net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient to pay those benefits. OPWC loans, the police and fire liability, capital loans, and capital leases are recognized as liabilities on the fund financial statements when due.

N. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities for drug enforcement, economic development and rehabilitation, various recreational activities, and a visitor's bureau. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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 governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification 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” includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts 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 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 purposes specified by the legislation.

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

Assigned - Amounts in the assigned 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. Assigned amounts represent intended uses established by City Council. The City Council has authorized the 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 first applies restricted resources when an expenditure is 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 can be used.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer, electric, and storm water services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

Q. Capital Contributions

Capital contributions arise from contributions from other governments.

R. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Pension/Other Postemployment Benefits

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

T. 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 Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

For 2021, the City implemented Implementation Guide No. 2019-1. These changes were incorporated in the City's 2021 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2021, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Special Revenue Fund	
Street Maintenance and Repair	\$421,086
Nonmajor Special Revenue Funds	
State Highway	23,110
Airport Grants	1,197
Airport Coronavirus Relief	9,000
Airport American Rescue Plan	22,000
Airport CARES Act	30,000
Police Pension	21,707
Fire Pension	29,620
Nonmajor Debt Service Fund	
Cheshire Special Assessment	246,346
Nonmajor Capital Projects Funds	
Leisure Time Capital	1,750
Urban Paving	412,050

The deficit fund balances resulted from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

B. Compliance

The following funds/accounts had expenditures in excess of appropriations for the year ended December 31, 2021.

Fund/Account	Appropriations	Expenditures	Excess
General Fund			
General Government			
Other General Government			
Contractual Services	\$15,000	\$108,891	\$93,891
Security of Persons and Property			
Police			
Contractual Services	67,496	67,864	368
Coronavirus Relief			
Security of Persons and Property			
Police			
Materials and Supplies	23,226	23,417	191
Fire			
Materials and Supplies	49,355	49,588	233
Urban Paving			
Debt Service			
Principal Retirement	0	405,000	405,000
Interest and Fiscal Charges	0	6,966	6,966
Water Fund			
Debt Service			
Principal Retirement	303,335	308,717	5,382
Sewer Fund			
Debt Service			
Principal Retirement	947,743	965,792	18,049
Interest and Fiscal Charges	128,557	130,231	1,674
Storm Water Fund			
Storm Water Distribution			
Salaries	97,159	97,261	102

The City will monitor expenditures to ensure they are within amounts appropriated.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

The Street Maintenance and Repair special revenue fund had original appropriations in excess of estimated resources plus available balances for the year ended December 31, 2021, in the amount of \$86,687.

The following funds had final appropriations in excess of estimated resources plus available balances for the year ended December 31, 2021.

Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Street Maintenance and Repair	\$2,560,968	\$3,142,881	\$581,913
Airport Grants	1,297,759	1,407,441	109,682
American Rescue Plan	0	522,813	522,813
Airport Coronavirus Relief	0	9,000	9,000
Airport American Rescue Plan	0	22,000	22,000
Airport CARES Act	0	30,000	30,000
Airport	356,714	378,175	21,461
Fire Pension	340,750	359,380	18,630
Cheshire Special Assessment	27,000	72,010	45,010
Leisure Time Capital	0	100,000	100,000
Roadwork Development Grant	0	537,865	537,865

The City will review appropriations to ensure they are within available resources.

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 Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund, and the Police and Fire Levy and Street Maintenance and Repair 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 that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

	General	Police and Fire Levy	Street Maintenance and Repair
	<u>\$766,527</u>	<u>(\$210,238)</u>	<u>\$72,106</u>
GAAP Basis			
<u>Increases (Decreases) Due To</u>			
Revenue Accruals:			
Accrued 2020, Received in Cash 2021	292,445	164,138	44,849
Accrued 2021, Not Yet Received in Cash	(342,758)	(212,573)	(253,755)
Expenditure Accruals:			
Accrued 2020, Paid in Cash 2021	(106,405)	(126,280)	(58,669)
Accrued 2021, Not Yet Paid in Cash	(115,194)	168,326	230,175
Cash Accruals:			
Unrecorded Activity 2020	1,100	0	0
Unrecorded Activity 2021	(1,044)	0	0
Prepaid Items	(19,683)	313	917
Materials and Supplies Inventory	0	0	(24,450)
Bond Anticipation Notes Issued	0	0	(543,800)
Bond Anticipation Notes Retired	0	0	536,100
Advances Out	(698,865)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(266,829)	0	(133,785)
Budget Basis	<u><u>(\$490,706)</u></u>	<u><u>(\$216,314)</u></u>	<u><u>(\$130,312)</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes 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 the City 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.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
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) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Investments

Investments are reported at fair value. As of December 31, 2021, the City had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Fair Value - Level One Inputs					
Mutual Funds	\$36,444	\$36,444	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	6,994,240	2,602,038	1,706,134	952,623	1,733,445
Local Government Securities	152,945	0	0	0	152,945
Federal Agricultural Mortgage Corporation Notes	147,120	0	0	0	147,120
Federal Farm Credit Bank Notes	1,661,558	450,468	0	509,725	701,365
Federal Home Loan Bank Notes	811,528	0	0	0	811,528
Federal Home Loan Mortgage Corporation Notes	241,357	0	0	0	241,357
Federal National Mortgage Association Notes	779,308	0	0	0	779,308
U.S. Treasury Notes	2,063,093	0	0	303,552	1,759,541
Total Fair Value - Level Two Inputs	<u>12,851,149</u>	<u>3,052,506</u>	<u>1,706,134</u>	<u>1,765,900</u>	<u>6,326,609</u>
Net Value Per Share					
STAR Ohio	3,532,918	3,532,918	0	0	0
Total Investments	<u>\$16,420,511</u>	<u>\$6,621,868</u>	<u>\$1,706,134</u>	<u>\$1,765,900</u>	<u>\$6,326,609</u>

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2021. The City's investment in mutual funds measured at fair value are valued using quoted market prices (Level 1 inputs). The remainder of the City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the City from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

The negotiable certificates of deposit are generally covered by FDIC insurance. The mutual funds, federal agency securities, and U.S. treasury securities carry a rating of Aaa by Moody's. The local government securities carry a rating of Aa1 by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio:

	Fair Value	Percentage of Portfolio
	<hr/>	<hr/>
Negotiable Certificates of Deposit	\$6,994,240	42.59%
Local Government Securities	152,945	.93
Federal Agricultural Mortgage Corporation	147,120	.90
Federal Farm Credit Bank	1,661,558	10.12
Federal Home Loan Bank	811,528	4.94
Federal Home Loan Mortgage Corporation	241,357	1.47
Federal National Mortgage Association	779,308	4.75
U.S. Treasury Notes	2,063,093	12.56

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 7 - RECEIVABLES

Receivables at December 31, 2021, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; excise taxes; interfund; property taxes; payment in lieu of taxes; notes, and special assessments. All receivables are considered collectible in full and within one year, except for municipal income taxes, property taxes, notes, and special assessments. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$300,000, will not be received within one year. Special assessments, in the amount of \$85,117, will not be received within one year. The December 31, 2021, the amount of delinquent special assessments was \$310.

Notes receivable generally represent low interest loans for development projects granted to eligible City businesses. The notes have an annual interest rate of 1 to 4 percent and are to be repaid over periods ranging from five to fifteen years.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$28,996
Local Government	111,349
Cigarette Taxes	355
Crawford County	125
Richland County	106
Ohio Bureau of Workers' Compensation	798
Ohio Police and Fire Pension Fund	117
Victims of Crime	13,905
Total General Fund	155,751
Police and Fire Levy	
Ohio Bureau of Workers' Compensation	641
Street Maintenance and Repair	
Gasoline Tax	241,355
Motor Vehicle License Tax	36,133
Commercial Activity Tax	406
Ohio Bureau of Workers' Compensation	90
Ohio Department of Transportation	198,410
Total Street Maintenance and Repair	476,394

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds	
Police Drug Fines	
City of Mansfield	\$1,063
OVI Enforcement and Education	
Crawford County	25
State Highway	
Gasoline Tax	19,569
Motor Vehicle License Tax	2,930
Total State Highway	22,499
Recreation	
Ohio Bureau of Workers' Compensation	53
Airport Grants	
FAA Grant	25,310
Airport Coronavirus Relief	
Airport Coronavirus Relief	9,000
Airport American Rescue Plan	
Airport American Rescue Plan	22,000
Airport CARES Act	
Airport CARES Act	30,000
Airport	
Ohio Bureau of Workers' Compensation	9
Police Pension	
Homestead and Rollback	2,638
Fire Pension	
Homestead and Rollback	2,638
Leisure Time Capital	
Ohio Department of Natural Resources	1,750
Total Nonmajor Funds	116,985
Total Governmental Activities	\$749,771

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 7 - RECEIVABLES (continued)

	Amount
Business-Type Activities	
Water	
Ohio Bureau of Workers' Compensation	\$213
Sewer	
Ohio Bureau of Workers' Compensation	200
Electric	
Ohio Bureau of Workers' Compensation	219
Storm Water	
Ohio Bureau of Workers' Compensation	72
Total Business Type Activities	\$704

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 2 percent based on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a two-thirds credit for tax paid to another municipality. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City's income tax rate includes 1 percent authorized by State statute and levied by the City Council and 1 percent approved by voters; .89 percent to be used exclusively for police and fire protection services, fire suppression equipment and structures, and an ambulance subsidy, and .11 percent to be used exclusively for recreation purposes and the acquisition of real estate for recreation.

The receipts of the City income tax and the administrative costs associated with their collection are accounted for in the General Fund and the Police and Fire Levy and Recreation special revenue funds.

The Regional Income Tax Agency administers the collects income taxes for the City. Payments are remitted monthly net of collection fees of approximately 3 percent in the General Fund.

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2021 represent the collection of 2020 taxes. Real property taxes received in 2021 were levied after October 1, 2020, on the assessed values as of January 1, 2020, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 9 - PROPERTY TAXES (continued)

Public utility property tax revenues received in 2021 represent the collection of 2020 taxes. Public utility real and tangible personal property taxes received in 2021 became a lien on December 31, 2019, were levied after October 1, 2020, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City of Galion. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2021, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2021 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The full tax rate for all City operations for the year ended December 31, 2021, was \$3.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2021 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural	\$725,340
Residential	88,311,050
Commercial	20,807,620
Industrial	6,915,940
Public Utility Property	
Real	58,670
Personal	2,662,090
Total Assessed Value	\$119,480,710

NOTE 10 - PAYMENT IN LIEU OF TAXES

According to State law, the City has established tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if their taxes had not been exempted. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may, therefore, spread the costs of the improvements to a larger number of property owners.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,499,016	\$0	\$0	\$3,499,016
Construction in Progress	955,819	914,270	0	1,870,089
Total Nondepreciable Capital Assets	4,454,835	914,270	0	5,369,105
Depreciable Capital Assets				
Buildings	1,411,292	0	0	1,411,292
Improvements Other Than Buildings	2,923,310	0	0	2,923,310
Streets	31,760,625	398,941	(10,977)	32,148,589
Bridges	1,236,330	0	0	1,236,330
Equipment	1,898,545	12,562	0	1,911,107
Vehicles	3,265,392	0	0	3,265,392
Total Depreciable Capital Assets	42,495,494	411,503	(10,977)	42,896,020
Less Accumulated Depreciation for				
Buildings	(709,191)	(33,556)	0	(742,747)
Improvements Other Than Buildings	(807,247)	(131,734)	0	(938,981)
Streets	(21,151,713)	(639,180)	10,965	(21,779,928)
Bridges	(796,267)	(24,727)	0	(820,994)
Equipment	(1,065,107)	(100,867)	0	(1,165,974)
Vehicles	(1,554,841)	(162,429)	0	(1,717,270)
Total Accumulated Depreciation	(26,084,366)	(1,092,493)	10,965	(27,165,894)
Total Depreciable Capital Assets, Net	16,411,128	(680,990)	(12)	15,730,126
Governmental Activities Capital Assets, Net	\$20,865,963	\$233,280	(\$12)	\$21,099,231

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 11 - CAPITAL ASSETS (continued)

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$2,211,015	\$0	\$0	\$2,211,015
Construction in Progress	34,046	366,272	(396,817)	3,501
Total Nondepreciable Capital Assets	<u>2,245,061</u>	<u>366,272</u>	<u>(396,817)</u>	<u>2,214,516</u>
Depreciable Capital Assets				
Buildings	20,223,967	0	0	20,223,967
Improvements Other Than Buildings	7,599,975	0	0	7,599,975
Water, Sewer, Electric, and Storm Water Lines	19,557,095	461,670	0	20,018,765
Equipment	3,779,184	93,017	0	3,872,201
Vehicles	1,476,241	0	0	1,476,241
Total Depreciable Capital Assets	<u>52,636,462</u>	<u>554,687</u>	<u>0</u>	<u>53,191,149</u>
Less Accumulated Depreciation for				
Buildings	(14,718,925)	(602,153)	0	(15,321,078)
Improvements Other Than Buildings	(3,329,940)	(140,747)	0	(3,470,687)
Water, Sewer, Electric, and Storm Water Lines	(5,342,233)	(452,046)	0	(5,794,279)
Equipment	(2,812,454)	(150,585)	0	(2,963,039)
Vehicles	(885,079)	(60,284)	0	(945,363)
Total Accumulated Depreciation	<u>(27,088,631)</u>	<u>(1,405,815)</u>	<u>0</u>	<u>(28,494,446)</u>
Total Depreciable Capital Assets, Net	<u>25,547,831</u>	<u>(851,128)</u>	<u>0</u>	<u>24,696,703</u>
Business-Type Activities Capital Assets, Net	<u>\$27,792,892</u>	<u>(\$484,856)</u>	<u>(\$396,817)</u>	<u>\$26,911,219</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$39,305
Security of Persons and Property - Fire	115,222
Public Health	2,331
Leisure Time Activities	110,910
Transportation	800,764
General Government	23,961
Total Depreciation Expense - Governmental Activities	<u>\$1,092,493</u>

NOTE 12 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2021, the General Fund had an interfund receivable, in the amount of \$1,084,758; \$1,049,298 from other governmental funds for short-term loans made to those funds and \$35,460 from the Electric enterprise fund for services provided to that fund.

The Electric enterprise fund had an interfund receivable, in the amount of \$17,976, from the Sewer enterprise fund for services provided to that fund.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 13 - RISK MANAGEMENT

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. The City participates in the Public Entities Pool of Ohio, a public entity shared risk pool. The City pays an annual premium to the pool for various types of insurance coverage. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2021, the City had the following insurance coverage:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$47,998,827	\$1,000
Personal Property	788,325	1,000
Flood/Earthquake	1,000,000	50,000
General Liability		
Per Occurrence	6,000,000	0
Employee Benefits Liability	1,000,000	1,000
Law Enforcement Liability	6,000,000	5,000
Automobile Liability	6,000,000	0
Cyber Liability	6,000,000	0
Crime Coverage	6,000,000	1,000

There has been no significant reduction in insurance coverage from 2020 and no insurance settlement has exceeded insurance coverage during the last three years.

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2021:

Vendor	Contract Amount	Amount Paid as of 12/31/21	Outstanding Balance
Crawford Construction, Inc.	\$16,500	\$0	\$16,500
CT Consultants, Inc.	25,000	13,125	11,875
D & K Hathaway, LLC	75,000	0	75,000
Ganley Chevrolet of Aurora	24,900	0	24,900
GPD Group	125,000	80,464	44,536
Henry W. Bergman, Inc.	54,872	38,391	16,481
Hunt's Fence, Inc.	44,200	0	44,200
Jess Howard Electric Company	475,065	414,954	60,111
Kelstin, Inc.	165,000	48,154	116,846

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS (continued)

Vendor	Contract Amount	Amount Paid as of 12/31/21	Outstanding Balance
Makeever and Associates, Inc.	\$92,180	\$21,563	\$70,617
Mid-State Blacktop, Inc.	35,500	17,500	18,000
Mike's Roofing, Inc.	10,500	0	10,500
Moody's of Dayton, Inc.	33,600	7,035	26,565
Norwalk Concrete Industries	21,225	8,563	12,662
Ohio Treasurer of State	102,000	0	102,000
Penchura, LLC	36,800	0	36,800
Tecta America Corp	45,470	7,800	37,670
Utility Truck Equipment, Inc.	170,618	0	170,618
Wallace & Pancher, Inc.	203,536	162,825	40,711

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2022 are as follows:

General Fund	\$266,829
Street Maintenance and Repair	133,785
Other Governmental Funds	508,449

NOTE 15 - ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their waste water treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability (Asset)

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

GASB Statements No. 68 and No. 75 assume the liability is solely the obligation of the employer because (1) they benefit from employee services and (2) State statute requires all funding to come from the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the pension amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, public safety, and law enforcement divisions. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
Public Safety and Law Enforcement Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Public Safety and Law Enforcement Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	Public Safety and Law Enforcement Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost of living adjustment.

When a traditional plan benefit recipient has received benefits for twelve months, current law provides an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost of living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA is based on the average percentage increase in the Consumer Price Index capped at 3 percent.

Defined contribution plan benefits are established in the plan documents which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed plan participants must have attained the age of fifty-five, have money on deposit in the defined contribution plan, and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the member's contributions, vested employer contributions, and investment gains or losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five year period at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS account. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of the entire account balance net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

Beginning in 2022, the combined plan will be consolidated under the traditional plan (defined benefit plan) and the combined plan option will no longer be available for new hires beginning in 2022.

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

	State and Local	Public Safety	Law Enforcement
2021 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0 %	**	***
2021 Actual Contribution Rates			
Employer			
Pension ****	14.0 %	18.1 %	18.1 %
Postemployment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This rate is determined by OPERS' Board and has no maximum rate established by the ORC.

*** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contribution rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2021, the City's contractually required contribution was \$431,681 for the traditional plan, \$4,470 for the combined plan, and \$4,529 for the member-directed plan. Of these amounts, \$54,369 is reported as an intergovernmental payable for the traditional plan, \$631 for the combined plan, and \$570 for the member-directed plan.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - Ohio Police and Fire Pension Fund (OPF)

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

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

For members hired after July 1, 2013, the minimum retirement age is fifty-two for normal service retirement with at least twenty-five years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is forty-eight for normal service retirement with at least twenty-five years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first twenty years of service credit, 2 percent for each of the next five years of service credit, and 1.5 percent for each year of service credit in excess of twenty-five years. The maximum pension of 72 percent of the allowable average annual salary is paid after thirty-three years of service credit. (See the OPF Annual Comprehensive Financial Report referenced above for additional information including requirements for deferred retirement option plan provisions and reduced and unreduced benefits.)

Under normal service retirement, retired members who are at least fifty-five years old and have been receiving OPF benefits for at least one year may be eligible for a cost of living allowance adjustment. The age fifty-five provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have fifteen or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3 percent of the member's base pension benefit.

The COLA amount for members who have less than fifteen years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3 percent or the percentage increase in the Consumer Price Index, if any, over the twelve month period that ends on the thirtieth day of September of the immediately preceding year rounded to the nearest one-tenth of 1 percent.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost of living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a single life annuity plan with proportional reductions for optional payment plans.

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

	Police	Firefighters
2021 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
 2021 Actual Contribution Rates		
Employer		
Pension	19.00 %	23.50 %
Postemployment Health Care Benefits	.50	.50
Total Employer	19.50 %	24.00 %
Total Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$517,241 for 2021. Of this amount, \$81,027 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the Statewide pension system for police and firefighters in 1967. As of December 31, 2021, this liability was \$81,856 payable in semi-annual payments through 2035.

Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The net pension liability (asset) for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Proportion of the Net Pension Liability/Asset				
Current Measurement Date	0.02141518%	0.00770206%	0.09440810%	
Prior Measurement Date	0.02062800%	0.00679950%	0.09500420%	
Change in Proportionate Share	<u>0.00078718%</u>	<u>0.00090256%</u>	<u>0.00059610%</u>	
Proportionate Share				
Net Pension Liability	\$3,171,124	\$0	\$6,435,886	\$9,607,010
Net Pension Asset	\$0	\$22,232	\$0	\$22,232
Pension Expense	(\$46,131)	\$417	\$472,103	\$426,389

Pension expense for the member-directed defined contribution plan was \$4,529 for 2021. The aggregate pension expense for all pension plans was \$430,918 for 2021.

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Difference Between Expected and Actual Experience	\$0	\$0	\$269,042	\$269,042
Changes of Assumptions	0	1,388	107,933	109,321
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	108,390	604	113,847	222,841
City Contributions Subsequent to the Measurement Date	431,681	4,470	517,241	953,392
Total Deferred Outflows of Resources	<u>\$540,071</u>	<u>\$6,462</u>	<u>\$1,008,063</u>	<u>\$1,554,596</u>
Deferred Inflows of Resources				
Difference Between Expected and Actual Experience	\$132,650	\$4,194	\$250,722	\$387,566
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,236,011	3,306	312,183	1,551,500
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	20,113	1,757	210,792	232,662
Total Deferred Inflows of Resources	<u>\$1,388,774</u>	<u>\$9,257</u>	<u>\$773,697</u>	<u>\$2,171,728</u>

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

\$953,392 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase in the net pension asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Year Ending December 31,				
2022	(\$469,990)	(\$1,723)	(\$54,256)	(\$525,969)
2023	(137,979)	(1,139)	129,897	(9,221)
2024	(503,840)	(1,906)	(314,682)	(820,428)
2025	(168,575)	(954)	(51,758)	(221,287)
2026	0	(487)	7,924	7,437
Thereafter	0	(1,056)	0	(1,056)
Total	<u>(\$1,280,384)</u>	<u>(\$7,265)</u>	<u>(\$282,875)</u>	<u>(\$1,570,524)</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	.5 percent simple through 2021, then 2.15 percent simple	.5 percent simple through 2021, then 2.15 percent simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	individual entry age	individual entry age

In October 2020, the OPERS Board adopted a change in COLA for post-January 7, 2013, retirees changing it from 1.4 percent simple through 2020 then 2.15 percent simple to .5 percent simple through 2021 then 2.15 percent simple.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

Preretirement mortality rates were based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. Each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, is summarized in the following table.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other Investments	9.00	4.75
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.2 percent for the traditional and the combined plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for all three plans was applied to all periods of projected benefit payments to determine the total pension liability.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.2 percent) or one percentage point higher (8.2 percent) than the current rate.

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
City's Proportionate Share of the Net Pension Liability (Asset)			
OPERS Traditional Plan	\$6,048,932	\$3,171,124	\$778,228
OPERS Combined Plan	(\$15,481)	(\$22,232)	(\$27,265)

Changes Between the Measurement Date and the Reporting Date

During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions - OPF

OPF's total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI based COLA, investment returns, salary increases, and payroll growth.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2020, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	entry age normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum compounded annually consisting of an inflation rate of 2.75 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries were adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

Mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

The long-term expected rate of return on pension plan investments was determined using a building block approach and assumes a time horizon as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2020, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equities	21.00	4.10
Non-U.S. Equities	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income*	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: assumptions are geometric

* levered 2.5x

OPF's Board of Trustees has incorporated the risk parity concept into OPF's asset liability valuation with the goal of reducing equity risk exposure which reduces overall total portfolio risk without sacrificing return and creating a more risk balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.25 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 16 - DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City’s Proportionate Share of the Net Pension Liability	\$8,959,576	\$6,435,886	\$4,323,810

NOTE 17 - DEFINED BENEFIT OPEB PLANS

See Note 16 for a description of the net OPEB liability (asset).

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment health care trust which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a health reimbursement arrangement (HRA) to qualifying benefit recipients of both the traditional and combined pension plans. Currently, Medicare eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses, and dependents with selecting a medical and pharmacy plan. Monthly allowances based on years of service and the age at which the retiree first enrolled in OPERS coverage are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription drug coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree’s years of service and age when they first enrolled in OPERS coverage.

Medicare eligible retirees who choose to become reemployed or survivors who become employed in an OPERS covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants in the form of a retiree medical account (RMA). At retirement or separation, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA account balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and reemployed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined pension plans must have twenty or more years of qualifying Ohio service credit and a minimum age of sixty or generally thirty years of qualifying service credit at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of another postemployment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional and combined plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. For 2021, OPERS did not allocate any employer contributions to health care for members in the traditional and combined plans.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants of the member-directed plan was 4 percent for 2021.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,812 for 2021. Of this amount, \$227 is reported as an intergovernmental payable.

Plan Description - Ohio Police and Fire Pension Fund (OPF)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OPF implemented a new model for health care. Under this model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

OPF contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare eligible and pre-65 populations). A stipend funded by OPF is available to these members through a health reimbursement arrangement and can be used to reimburse retirees for qualified health care expenses.

A retiree is eligible for the OPF health care stipend unless they have access to any other group coverage, including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage, including employer or retirement coverage, they are not eligible for stipend support from OPF. Even if an OPF member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OPF meets the definition of another postemployment benefit (OPEB) as described in GASB Statement No. 75.

OPF maintains funds for health care in two separate accounts, one for health care benefits and one for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under an IRS Code Section 115 Trust. An IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution for retiree health care benefits. For 2021, the portion of the employer contribution allocated to health care was .5 percent of covered payroll. The amount of the employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OPF was \$12,129 for 2021. Of this amount, \$1,898 is reported as an intergovernmental payable.

OPEB Liability (Asset), OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) and the total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OPF's total OPEB liability was measured as of December 31, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Current Measurement Date	0.02045042%	0.09440810%	
Prior Measurement Date	0.01967580%	0.09500420%	
Change in Proportionate Share	<u>0.00077462%</u>	<u>0.00059610%</u>	
 Proportionate Share			
Net OPEB Liability	\$0	\$1,000,270	\$1,000,270
Net OPEB Asset	\$364,341	\$0	\$364,341
 OPEB Expense	(\$2,277,454)	\$120,307	(\$2,157,147)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes of Assumptions	\$179,113	\$552,595	\$731,708
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	65,324	128,423	193,747
City Contributions Subsequent to the Measurement Date	1,812	12,129	13,941
Total Deferred Outflows of Resources	<u>\$246,249</u>	<u>\$693,147</u>	<u>\$939,396</u>
 Deferred Inflows of Resources			
Difference Between Expected and Actual Experience	\$328,816	\$164,990	\$493,806
Changes of Assumptions	590,341	159,462	749,803
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	194,053	37,172	231,225
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	14,567	18,873	33,440
Total Deferred Inflows of Resources	<u>\$1,127,777</u>	<u>\$380,497</u>	<u>\$1,508,274</u>

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

\$13,941 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Year Ending December 31,	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
2022	(\$462,292)	\$67,607	(\$394,685)
2023	(313,853)	76,410	(237,443)
2024	(84,329)	62,533	(21,796)
2025	(22,866)	66,219	43,353
2026	0	14,545	14,545
Thereafter	0	13,207	13,207
Total	<u>(\$883,340)</u>	<u>\$300,521</u>	<u>(\$582,819)</u>

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74.

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate	
Current Measurement Date	6 percent
Prior Measurement Date	3.16 percent
Investment Rate of Return	6 percent
Municipal Bond Rate	
Current Measurement Date	2 percent
Prior Measurement Date	2.75 percent
Health Care Cost Trend Rate	
Current Measurement Date	8.5 percent initial
	3.5 percent ultimate in 2035
Prior Measurement Date	10.5 percent initial
	3.5 percent ultimate in 2030
Actuarial Cost Method	individual entry age

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

Preretirement mortality rates were based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 Mortality Improvement Scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation. Best estimates of arithmetic rates of return were provided by OPERS investment consultant. Each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2020, is summarized in the following table.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other Investments	9.00	4.43
Total	100.00 %	

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

Discount Rate - A single discount rate of 6 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of twenty year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the expected rate of return on the health care investment portfolio of 6 percent and a municipal bond rate of 2 percent (Fidelity Index's "Twenty-Year Municipal GO AA Index). The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through 2120; the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6 percent as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (5 percent) or one percentage point higher (7 percent) than the current rate.

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
City's Proportionate Share of the Net OPEB Asset	\$90,595	\$364,341	\$589,381

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using assumed trend rates and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1 percent lower or 1 percent higher than the current rate.

Retiree health care valuations use a health care cost trend assumption that changes over several years built into the assumption. The near term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.5 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that the health plan cost trend will decrease to a level at or near wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate assumed to be 3.5 percent in the most recent valuation.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's Proportionate Share of the Net OPEB Asset	\$373,220	\$364,341	\$354,406

Changes Between the Measurement Date and the Reporting Date

During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effect of these changes are unknown.

Actuarial Assumptions - OPF

OPF's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OPF's actuaries in accordance with GASB Statement No. 74 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effect of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
Actuarial Cost Method	entry age normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Single Discount Rate	
Current Measurement Date	2.96 percent
Prior Measurement Date	3.56 percent
Cost of Living Adjustments	2.2 percent simple

Mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries were adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

Mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016.

The OPF health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 16.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 17 - DEFINED BENEFIT OPEB PLANS (continued)

Discount Rate - For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, the plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.12 percent at December 31, 2020, and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation Twenty Year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to all projected costs through 2037 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 2.96 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent) or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's Proportionate Share of the Net OPEB Liability	\$1,247,279	\$1,000,270	\$796,515

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 18 - OTHER EMPLOYEE BENEFITS

A. Health Care Benefits

The City offers employee medical, dental, and vision benefits through Anthem and life insurance through Medical Mutual. The employees share the cost of the monthly premium with the City. The premium varies with employee depending on the terms of the union contract.

B. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn and accumulate vacation at varying rates depending on length of service. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of earned unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Employees who are part of the Ohio Patrolmen's Benevolent Association and the Fraternal Order of Police, who were hired before January 1, 2014, and who have three or more years of full-time service with the City are entitled to receive two-thirds of the value of their accumulated unused sick leave. Members of these two unions who were hired after January 1, 2014, and have five or more years of full-time service with the City are entitled to receive one-half of the value of their accumulated unused sick leave. Members of the International Association of Firefighters with five or more years of full-time service with the City are entitled to receive between 25 percent, 33 percent, and 66 percent of the value of their accumulated unused sick leave, dependent on the amount of accumulated hours. All other employees having three or more years of full-time service with the City are entitled to receive two-thirds of the value of their accumulated unused sick leave regardless of date of hire.

NOTE 19 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2021, were as follows:

	Interest Rate	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021
<u>Governmental Activities</u>					
General Obligation Bond Anticipation					
Notes from Direct Placements					
Special Revenue Funds					
Portland Way North	1.72%	\$177,200	\$0	\$177,200	\$0
Brandt Road	1.72	543,800	0	543,800	0
Brandt Road	1.50	0	536,100	0	536,100
Urban Paving	1.72	405,000	0	405,000	0
Urban Paving	1.50	0	405,000	0	405,000
Total Governmental Activities		<u>\$1,126,000</u>	<u>\$941,100</u>	<u>\$1,126,000</u>	<u>\$941,100</u>

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 19 - NOTES PAYABLE (continued)

	<u>Interest Rate</u>	<u>Balance December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2021</u>
<u>Business-Type Activities</u>					
General Obligation Bond Anticipation					
Notes from Direct Placements					
Enterprise Funds					
Screw Pump	1.72%	\$408,400	\$0	\$408,400	\$0
Screw Pump	1.50	0	408,400	0	408,400
State Route 61 Lift Station	1.72	279,800	0	279,800	0
State Route 61 Lift Station	1.50	0	279,800	0	279,800
Electric Distribution System	1.72	834,000	0	834,000	0
Electric Distribution System	1.50	0	834,000	0	834,000
Brandt Road	1.72	135,900	0	135,900	0
Brandt Road	1.50	0	143,600	0	143,600
Total Business-Type Activities		<u>\$1,658,100</u>	<u>\$1,665,800</u>	<u>\$1,658,100</u>	<u>\$1,665,800</u>

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds. All of the City's bond anticipation notes are backed by the full faith and credit of the City of Galion.

The bond anticipation notes in the Street Maintenance and Repair special revenue fund, in the amount of \$536,100, were issued on July 21, 2021, through a direct placement to partially retire notes previously issued for the Brandt Road improvements. The notes mature on July 21, 2022.

The bond anticipation notes in the Urban Paving capital projects fund, in the amount of \$405,000, were issued on July 21, 2021, through a direct placement to retire notes previously issued for road improvements on State Route 19. The notes mature on July 21, 2022.

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$688,200, were issued on July 21, 2021, through a direct placement; \$408,400 to retire notes previously issued to purchase a screw pump and \$279,800 to retire notes previously issued for the State Route 61 lift station. The notes mature on July 21, 2022. As of December 31, 2021, \$408,400 was not capitalized.

The bond anticipation notes in the Electric enterprise fund, in the amount of \$834,000, were issued on July 21, 2021, through a direct placement to retire notes previously issued to upgrade the electric distribution system. The notes mature on July 21, 2022.

The bond anticipation notes in the Storm Water enterprise fund, in the amount of \$143,600, were issued on July 21, 2021, through a direct placement to retire notes previously issued for the Brandt Road improvements. The notes mature on July 21, 2022.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 20 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2021, was as follows:

	Interest Rate	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
<u>Governmental Activities</u>						
Net Pension Liability						
Ohio Public Employees Retirement System		\$1,540,297	\$0	\$328,856	\$1,211,441	\$0
Ohio Police and Fire Pension		6,399,990	35,896	0	6,435,886	0
Total Net Pension Liability		<u>7,940,287</u>	<u>35,896</u>	<u>328,856</u>	<u>7,647,327</u>	<u>0</u>
Net OPEB Liability						
Ohio Public Employees Retirement System		1,026,701	0	1,026,701	0	0
Ohio Police and Fire Pension		938,427	61,843	0	1,000,270	0
Total Net OPEB Liability		<u>1,965,128</u>	<u>61,843</u>	<u>1,026,701</u>	<u>1,000,270</u>	<u>0</u>
OPWC Loans from Direct Borrowings						
Portland Way South	0.00%	277,397	0	24,476	252,921	16,317
Police Liability	5.00	18,011	0	925	17,086	964
Fire Liability	5.00	68,276	0	3,506	64,770	3,656
Capital Loan Payable (Fire Truck)	2.99	79,521	0	39,194	40,327	40,327
Capital Leases	7.75	31,580	0	31,580	0	0
Compensated Absences Payable		852,224	151,856	124,458	879,622	198,643
Total Governmental Activities		<u>\$11,232,424</u>	<u>\$249,595</u>	<u>\$1,579,696</u>	<u>\$9,902,323</u>	<u>\$259,907</u>
<u>Business-Type Activities</u>						
General Obligation Bonds from Direct Placements						
2007 Electric Improvement (Original Amount \$8,952,000)	5.25%	\$1,827,000	\$0	\$786,000	\$1,041,000	\$827,000
2011 Electric Improvement (Original Amount \$2,500,000)	2.15	250,000	0	125,000	125,000	125,000
Total General Obligation Bonds		<u>2,077,000</u>	<u>0</u>	<u>911,000</u>	<u>1,166,000</u>	<u>952,000</u>
Net Pension Liability						
Ohio Public Employees Retirement System		2,536,966	0	577,283	1,959,683	0
Net OPEB Liability						
Ohio Public Employees Retirement System		1,691,037	0	1,691,037	0	0

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
<u>Business-Type Activities</u> (continued)						
OPWC Loans from						
Direct Borrowings						
Railroad Street Waterline						
(Original Amount \$71,104)	0.00%	\$7,112	\$0	\$5,333	\$1,779	\$1,779
West End Waterline						
(Original Amount \$140,000)	0.00	31,500	0	10,500	21,000	7,000
Southeast Storm Sewer						
(Original Amount \$693,209)	0.00	600,781	0	34,660	566,121	23,107
Southeast Storm Sewer - Phase II						
(Original Amount \$163,560)	0.00	159,471	0	12,267	147,204	8,178
Charles Street Sanitary Sewer and Lift Station						
(Original Amount \$253,712)	0.00	253,712	0	12,686	241,026	12,686
Total OPWC Loans		<u>1,052,576</u>	<u>0</u>	<u>75,446</u>	<u>977,130</u>	<u>52,750</u>
OWDA Loans from						
Direct Borrowings						
#2735 Raw Water Line						
(Original Amount \$480,881)	2.00	24,148	0	24,148	0	0
#3508 Water Treatment						
(Original Amount \$3,924,637)	2.00	1,785,821	0	139,581	1,646,240	142,386
#4088 Cheshire Subdivision						
(Original Amount \$983,863)	3.98	263,121	0	61,944	201,177	64,434
#4089 Sewer System Improvement						
(Original Amount \$1,600,253)	3.98	1,110,420	0	55,375	1,055,045	57,601
#4090 Cheshire						
(Original Amount \$1,232,112)	3.98	793,018	0	39,546	753,472	41,136
#4091 Water System Improvement						
(Original Amount \$2,218,464)	3.98	1,427,861	0	71,205	1,356,656	74,067
#4732 WWTP Bio-Solids						
(Original Amount \$2,762,322)	3.20	1,438,356	0	138,435	1,299,921	143,351
#4873 Water Tank Rehabilitation						
(Original Amount \$679,864)	4.61	347,308	0	36,811	310,497	38,528
#6273 WWTP Influent Upgrade						
(Original Amount \$655,098)	2.57	432,321	0	31,185	401,136	31,992
Total OWDA Loans		<u>7,622,374</u>	<u>0</u>	<u>598,230</u>	<u>7,024,144</u>	<u>593,495</u>
Compensated Absences Payable		665,587	107,823	74,653	698,757	129,284
AMP Ohio Payable		471,683	4,190	57,798	418,075	57,798
Total Business-Type Activities		<u>\$16,117,223</u>	<u>\$112,013</u>	<u>\$3,985,447</u>	<u>\$12,243,789</u>	<u>\$1,785,327</u>

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

2007 Electric Improvement General Obligation Bonds

On December 21, 2007, the City issued \$8,952,000 in unvoted general obligation bonds through a direct placement to retire the Electric Improvement Loan, in the amount of \$4,927,000, and to upgrade an electric substation and the related distribution system. The bonds are being retired from the Electric enterprise fund. The bonds will mature on January 15, 2023. As of December 31, 2021, all of the proceeds have been spent.

2011 Electric Improvement General Obligation Bonds

On October 27, 2011, the City issued \$2,500,000 in unvoted general obligation bonds through a direct placement to improve the City's electric distribution system. The bonds are being retired from the Electric enterprise fund. The bonds will mature on December 1, 2021. As of December 31, 2021, all of the proceeds have been spent.

Net Pension/OPEB Liability

There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund, the Police and Fire Levy, Street Maintenance and Repair, Recreation, Airport, Police Pension, and Fire Pension special revenue funds, and the Water, Sewer, Electric, and Storm Water enterprise funds.

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 for replacement of water lines and sewer lines. The loans are interest free. The loans will be repaid from the Street Maintenance and Repair special revenue fund and the Water, Sewer, and Storm Water enterprise funds to the extent resources are available.

The City's outstanding OPWC loans from direct borrowings contain provisions that in the event of default, (1) OPWC may apply late fees of 8 percent per year, (2) loans more than sixty days late will be turned over to the Attorney General's office for collection and, as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for improvements to water and sewer lines and upgrades to the City's water and sewer treatment plants. OWDA loans are payable solely from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the loans is \$8,503,122. Principal and interest paid in the Water and Sewer enterprise funds for the current year were \$536,286 and \$233,015, respectively. The net revenues for the Water and Sewer enterprise funds were \$903,141 and \$388,447, respectively.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

The City's outstanding OWDA loans from direct borrowings contain provisions that in an event of default, (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within thirty days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to OWDA, and (3) for each additional thirty days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

Police and Fire Liability

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 and Fire Pension special revenue funds.

Capital Loan Payable

On November 15, 2012, the City entered into a loan for the purchase of a new fire truck, in the amount of \$360,000. The loan has an interest rate of 2.99 percent. The City is paying the loan in equal annual payments over a ten year period with final maturity on April 23, 2022. The loan is being repaid from resources of the General Fund.

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance and Repair, Recreation, and Airport special revenue funds, and the Water, Sewer, Electric, and Storm Water enterprise funds.

AMP Ohio Payable

The City of Galion is a member of American Municipal Power (AMP) and a participant in the American Municipal Power Generating Station Project (AMPGS). This project was intended to develop a pulverized coal power plant in Meigs City, Ohio. The City's share of the project was 8,000 kW of a total capacity of 771,281 kW, giving the City a 1.04 percent share of the project.

The AMPGS project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS project due to projected escalating costs. These costs were therefore deemed impaired and participants were obligated to pay costs already incurred. As a result of a March 31, 2014, legal ruling, the AMP Board of Trustees on April 15, 2014, and the AMPGS participants on April 16, 2014, approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The City's estimated share of the impaired costs at March 31, 2014, was \$1,148,904. The City received a credit of \$361,799 related to the AMPGS costs deemed to have future benefit for the project participants. Additional costs have been incurred for interest and legal fees of \$42,081 and payments were made of \$411,111 leaving a net impaired cost estimate of \$418,075. The City is reporting a payable to AMP in its business-type activities and in its Electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line of credit interest and legal fees) or amounts received related to the project may result in a future liability to the City. These amounts will be recorded as they become estimable.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 20 - LONG-TERM OBLIGATIONS (continued)

The City is paying its liability to AMP by making monthly payments over a fifteen year period. The liability should be paid in full during 2028.

The City's legal debt margin was \$11,311,127 at December 31, 2021.

The following is a summary of the City's future annual debt service requirements for governmental activities:

	Governmental Activities				
	Direct Borrowings				
	OPWC Loans	Police and Fire Pension		Capital Loan	
	Principal	Principal	Interest	Principal	Interest
2022	\$16,317	\$4,620	\$3,431	\$40,327	\$1,246
2023	16,317	4,820	3,231	0	0
2024	16,318	5,026	3,025	0	0
2025	16,317	5,242	2,809	0	0
2026	16,317	5,468	2,583	0	0
2027-2031	81,588	31,068	9,187	0	0
2032-2036	81,588	25,612	2,198	0	0
2037	8,159	0	0	0	0
	<u>\$252,921</u>	<u>\$81,856</u>	<u>\$26,464</u>	<u>\$40,327</u>	<u>\$1,246</u>

The City's future annual debt service requirements payable from the enterprise funds are as follows:

	Business-Type Activities					
	Direct Borrowings					
	General Obligation Bonds		OPWC Loans	OWDA Loans		AMP Ohio Payable
	Year	Principal	Interest	Principal	Principal	Interest
2022	\$952,000	\$38,548	\$52,750	\$593,495	\$223,937	\$57,798
2023	214,000	2,809	50,970	613,608	204,814	57,798
2024	0	0	50,970	634,447	185,002	57,798
2025	0	0	43,971	583,520	165,190	57,798
2026	0	0	43,970	602,980	146,836	57,798
2027-2031	0	0	219,853	2,779,778	451,813	129,085
2032-2036	0	0	219,852	1,216,316	101,386	0
2037-2041	0	0	190,813	0	0	0
2042-2046	0	0	103,981	0	0	0
	<u>\$1,166,000</u>	<u>\$41,357</u>	<u>\$977,130</u>	<u>\$7,024,144</u>	<u>\$1,478,978</u>	<u>\$418,075</u>

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 21 - FUND BALANCE

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 governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Police and Fire Levy	Street Maintenance and Repair	Other Governmental Funds
Nonspendable for:				
Materials and Supplies Inventory	\$0	\$0	\$75,568	\$16,553
Prepaid Items	71,359	41,123	5,693	5,639
Unclaimed Monies	17,461	0	0	0
Total Nonspendable	88,820	41,123	81,261	22,192
Restricted for:				
Airport Improvements	0	0	0	8,934
Drug Enforcement	0	0	0	63,726
Economic Development and Rehabilitation	0	0	0	1,105,458
Park Improvements	0	0	0	563,974
Park Operations	0	0	0	137,381
Permanent Improvements	0	0	0	594,537
Police and Fire Operations	0	510,121	0	38,166
Street Construction and Maintenance	0	0	0	235,319
Visitor's Bureau	0	0	0	38,972
Total Restricted	0	510,121	0	2,786,467
Assigned for:				
Unpaid Obligations	204,790	0	0	0
Unassigned (Deficit)	8,701,778	0	(502,347)	(796,780)
Total Fund Balance (Deficit)	\$8,995,388	\$551,244	(\$421,086)	\$2,011,879

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 22 - INTERNAL BALANCES AND TRANSFERS

The City uses an internal proportionate share to allocate its net pension/OPEB liability (asset) and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension/OPEB deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the government-wide statement of net position thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the business-type activities column related to pension include deferred outflows of resources and deferred inflows of resources, in the amount of \$23,459.

Eliminations made in the business-type activities column related to OPEB include deferred outflows of resources and deferred inflows of resources, in the amount of \$12,931.

Eliminations made in the total column of the government-wide statement of net position include deferred outflows of resources - pension and deferred inflows of resources - pension, in the amount of \$9,498.

Eliminations made in the total column of the government-wide statement of net position include deferred outflows of resources - OPEB and deferred inflows of resources - OPEB, in the amount of \$6,427.

During 2021, the General Fund made transfers to the Street Maintenance and Repair special revenue fund and other governmental funds, in the amount of \$579,300 and \$533,935, respectively, to subsidize various programs in other funds.

Other governmental funds made transfers to the Water and Sewer enterprise funds, in the amount of \$27,287 and \$44,519, respectively, to move receipts as debt payments came due.

The Water and Sewer enterprise funds made transfers to other governmental funds, in the amount of \$10,755 and \$17,547, respectively, to move special assessment revenue related to Water and Sewer funds.

NOTE 23 - EGBERT M. FREESE FOUNDATION

The Egbert M. Freese Foundation (Foundation), a not-for-profit corporation, is a component unit of the City. The Foundation is governed by a five member Board of Trustees, two members are appointed by City Council and three members are named by the Board. The Foundation was established by the City in 1999 upon receipt of monies from the estate of Egbert M. Freese. The terms of the Foundation agreement provide for the Board of Trustees to have the power and authority to appropriate for distribution funds held by the Foundation as principal. In addition, the annual net income from the Foundation's assets is to be distributed annually such that one-eighth of the annual net income is used for college scholarships for worthy high school graduates in the City and seven-eighths of the income is used generally for the upkeep and maintenance of City facilities that benefit the citizens of Galion (primarily for the upkeep and improvement of the parks in the City).

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 23 - EGBERT M. FREESE FOUNDATION (continued)

The Foundation’s resources are invested in various securities as determined by the Board of Trustees. As of December 31, 2021, the Foundation’s investments consisted of the following:

	Fair Value
Equities	\$8,118,217
Fixed Income	2,785,034
Real Assets	434,916
Alternative Income	311,439
Cash Equivalents	762,065
	\$12,411,671

NOTE 24 - CITY OF GALION BOARD OF HEALTH

A. Summary of Significant Accounting Policies

Reporting Entity

The City of Galion Board of Health (Board of Health) is presented following the provisions of NCGA Statement No. 1, “Governmental Accounting and Financial Report Principles”, as modified by subsequent NCGA and GASB pronouncements.

The Board of Health is governed by a six member Board appointed by the City of Galion and the City provides substantial funding for the Board of Health. Due to the City’s ability to impose its will on the Board of Health and the financial burden of the Board of Health on the City, the Board of Health is a component unit of the City. Separately issued financial statements for the Board of Health can be obtained from the City of Galion Health Department, 113 Harding Way East, Galion, Ohio, 44833.

Basis of Presentation

The Board of Health is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net position. The Board of Health uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized at the time they are incurred.

B. Receivables

Receivables at December 31, 2021, consisted of intergovernmental receivables arising from grants, contributions, Medicaid billings, and interfund receivables. All receivables are considered collectible and in full within one year. At December, 31, 2021, intergovernmental receivables consisted of grants, in the amount of \$66,392, and Medicaid billings, in the amount of \$16,937.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 24 - CITY OF GALION BOARD OF HEALTH (continued)

C. Capital Assets

The Board of Health had capital assets of equipment, in the amount of \$14,359, as of December 31, 2021. Accumulated depreciation was \$4,102 and net capital assets of \$10,257.

D. Risk Management

The Board of Health participates in the Public Entities Pool of Ohio, a public entity shared risk pool. The Board of Health pays an annual premium to the pool for insurance coverage. Members agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2021, the Board of Health had general liability insurance coverage of \$6,000,000.

E. Long-Term Obligations

The Board of Health's long-term obligations activity for the year ended December 31, 2021, was as follows.

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Due Within One Year
Net Pension Liability	\$453,030	\$0	\$61,093	\$391,937	\$0
Net OPEB Liability	301,972	0	301,972	0	0
Compensated Absences Payable	22,738	0	1,377	21,361	18,275
Total	<u>\$777,740</u>	<u>\$0</u>	<u>\$364,442</u>	<u>\$413,298</u>	<u>\$18,275</u>

NOTE 25 - PUBLIC ENTITY SHARED RISK POOL

The Public Entities Pool of Ohio (Pool) is a public entity shared risk pool which provides various risk management services to its members. The Pool is governed by a seven member board of directors; six are member representatives or elected officials and one is a representative of the pool administrator, American Risk Pooling Consultants, Inc. Each member has one vote on all issues addressed by the Board of Directors.

Participation in the Pool is by written application subject to the terms of the pool agreement. Members must continue membership for a full year and may withdraw from the Pool by giving a sixty day written notice prior to their annual anniversary. Financial information can be obtained from the Public Entities Pool of Ohio, 6797 North High Street, Suite 131, Worthington, Ohio 43085.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 26 - JOINT VENTURE

The City is a participant, with thirty-five other subdivisions within the State of Ohio, in a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis, the Ohio Municipal Electric Generation Agency Joint Venture (JV2). The City is both a financing participant and an owner participant with percentages of liability and ownership of 5.47 percent and 4.29 percent, respectively. Owner participants own undivided interests, as tenants in common, in JV2 in the amount of their respective project shares. Purchaser participants agree to purchase the output associated with their respective project shares, ownership of which is held in trust for such purchaser participants.

In accordance with the JV2 Agreement (Agreement), the participants jointly undertook (as either financing participants or non-financing participants and as either owner participants or purchaser participants) the acquisition, construction, and equipping of JV2, including such portions of JV2 as have been acquired, constructed, or equipped by AMP-Ohio and to pay or incur the costs of the same in accordance with the Agreement.

JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The project consists of 138.65 MW of distributed generation (of which 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net position will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, who acts as the joint venture's agent.

The City's investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's investment in JV2 was a deficit of \$22,522 at December 31, 2021. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

NOTE 27 - JOINTLY GOVERNED ORGANIZATIONS

A. Galion/Polk Township Community Improvement Corporation (CIC)

The City participates in the Galion/Polk Township Community Improvement Corporation (CIC), a 501(c)(3) not-for-profit corporation established under Ohio Revised Code Section 1724.10. The purpose of the CIC is to advance, encourage, and promote the industrial, economic, commercial, and civic development of the City of Galion and Polk Township.

The CIC board consists of twenty-five members, two-fifths of whom are required by the Ohio Revised Code to be from the participating governments. Financial information can be obtained from the Galion/Polk Township Community Improvement Corporation, 409 Kroft Street, Galion, Ohio 44833.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 27 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Regional Income Tax Agency (RITA)

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for administering income tax laws of the members and for collecting income taxes on behalf of each member. RITA currently has approximately three hundred fifty members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operations including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the council. For 2021, the City's total cost for income tax collection services is not yet available; however, these costs are not expected to differ significantly from 2020. For 2020, the City paid \$169,507 for tax collection services.

NOTE 28 - RELATED ORGANIZATIONS

A. Galion Public Library

The Galion Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Mayor. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the City for operational subsidies. Although the City serves as the taxing authority and can issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The Library is not considered part of the City and its operations are not included within the accompanying financial statements. Financial information can be obtained from the Galion Public Library, 123 N. Market Street, Galion, Ohio 44833.

B. Galion Port Authority

The Galion Port Authority is a legally separate organization created under Ohio Revised Code Sections 4582.21 to 4582.59. The Port Authority may acquire, construct, furnish, equip, maintain, repair, sell, exchange, lease to or from, operate, manage, or contract for the operation or management of port authority facilities as defined in the Ohio Revised Code and may issue bonds or notes for such purposes. The purpose of the Port Authority is to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture and research in the City of Galion and to create or preserve jobs and employment opportunities and enhance the availability of adequate housing. The Port Authority is governed by a seven member Board of Directors appointed by the Mayor of the City of Galion with approval of City Council. The Port Authority serves as custodian of its own funds and maintains all records and accounts independent of the City of Galion. Financial information can be obtained from the Galion Port Authority, P.O.Box 761, Galion, Ohio, 44833.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

NOTE 29 - CONTINGENT LIABILITIES

A. Litigation

The City of Galion is a party to several legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

B. Federal and State Grants

For the period January 1, 2021, to December 31, 2021, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 30 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. The impact of the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The City's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

During 2021, activity includes \$595,000 which was sub-granted to other governments and organizations.

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

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.02141518%	0.02062800%	0.21055500%	0.02372200%
City's Proportionate Share of the Net Pension Liability	\$3,171,124	\$4,077,263	\$5,766,673	\$3,721,521
City's Covered Payroll	\$3,050,071	\$2,902,393	\$3,159,907	\$3,134,954
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	103.97%	140.48%	182.50%	118.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%	84.66%

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

Amounts presented as of the City's measurement date which is the prior year end.

See Notes to the Required Supplementary Information

2017	2016	2015	2014
0.02385800%	0.02393400%	0.02308100%	0.02308100%
\$5,417,745	\$4,145,670	\$2,783,827	\$2,720,949
\$3,082,733	\$2,983,957	\$2,829,850	\$2,549,462
175.74%	138.93%	98.37%	106.73%
77.25%	81.08%	86.45%	86.36%

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City of Galion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Asset
 Ohio Public Employees Retirement System - Combined
 Last Four Years (1)

	2021	2020	2019	2018
City's Proportion of the Net Pension Asset	0.00770206%	0.06799500%	0.00620370%	0.00643200%
City's Proportionate Share of the Net Pension Asset	\$22,232	\$14,177	\$6,938	\$8,755
City's Covered Payroll	\$34,321	\$30,264	\$29,479	\$26,346
City's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	64.78%	46.84%	23.54%	33.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	157.67%	145.28%	126.64%	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented as of the City's measurement date which is the prior year end.

See Notes to the Required Supplementary Information

City of Galion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Liability
 Ohio Police and Fire Pension Fund
 Last Eight Years (1)

	2021	2020	2019	2018
City's Proportion of the Net Pension Liability	0.09440810%	0.09500420%	0.09793500%	0.09480700%
City's Proportionate Share of the Net Pension Liability	\$6,435,886	\$6,399,990	\$7,994,083	\$5,818,734
City's Covered Payroll	\$2,283,670	\$2,223,558	\$2,144,400	\$2,062,044
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	281.82%	287.83%	372.79%	282.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%	70.91%

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

Amounts presented as of the City's measurement date which is the prior year end.

See Notes to the Required Supplementary Information

2017	2016	2015	2014
0.09312600%	0.09875600%	0.09833180%	0.09833180%
\$5,898,508	\$6,353,043	\$5,093,998	\$4,789,067
\$1,998,757	\$1,980,560	\$1,925,161	\$1,819,529
295.11%	320.77%	264.60%	263.20%
68.36%	66.77%	71.71%	73.00%

City of Galion
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability (Asset)
Ohio Public Employees Retirement System
Last Five Years (1)

	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability (Asset)	0.02045042%	0.01967580%	0.02005740%	0.02261000%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$364,341)	\$2,717,738	\$2,615,012	\$2,455,280
City's Covered Payroll	\$3,127,492	\$2,972,607	\$3,232,586	\$3,202,000
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	-11.65%	91.43%	80.90%	76.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	46.33%	54.14%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Notes to the Required Supplementary Information

2017

0.02279000%

\$2,301,867

\$3,147,758

73.13%

54.04%

City of Galion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net OPEB Liability
 Ohio Police and Fire Pension Fund
 Last Five Years (1)

	2021	2020	2019	2018
City's Proportion of the Net OPEB Liability	0.09440810%	0.09500420%	0.09793500%	0.09480700%
City's Proportionate Share of the Net OPEB Liability	\$1,000,270	\$938,427	\$891,849	\$5,371,632
City's Covered Payroll	\$2,283,670	\$2,223,558	\$2,144,400	\$2,062,044
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	43.80%	42.20%	41.59%	260.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.40%	47.08%	46.57%	14.13%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

See Notes to the Required Supplementary Information

2017

0.09312600%

\$4,420,482

\$1,998,757

221.16%

15.96%

City of Galion
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Nine Years (1) (2)

	2021	2020	2019	2018
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$431,681	\$427,010	\$406,335	\$442,387
Contributions in Relation to the Contractually Required Contribution	<u>(431,681)</u>	<u>(427,010)</u>	<u>(406,335)</u>	<u>(442,387)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,083,436	\$3,050,071	\$2,902,393	\$3,159,907
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net Pension Asset - Combined Plan				
Contractually Required Contribution	\$4,470	\$4,805	\$4,237	\$4,127
Contributions in Relation to the Contractually Required Contribution	<u>(4,470)</u>	<u>(4,805)</u>	<u>(4,237)</u>	<u>(4,127)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$31,929	\$34,321	\$30,264	\$29,479
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability/Asset - OPEB Plan (2)				
Contractually Required Contribution	\$1,812	\$1,724	\$1,598	\$1,728
Contributions in Relation to the Contractually Required Contribution	<u>(1,812)</u>	<u>(1,724)</u>	<u>(1,598)</u>	<u>(1,728)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$3,160,665	\$3,127,492	\$2,972,607	\$3,232,586
OPEB Contributions as a Percentage of Covered Payroll	<u>0.04%</u>	<u>0.04%</u>	<u>0.04%</u>	<u>0.04%</u>

(1) Information prior to 2013 is not available.

(2) Beginning in 2016, OPERS used one trust as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(3) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See Notes to the Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$407,544	\$369,928	\$358,075	\$339,582	\$331,430
<u>(407,544)</u>	<u>(369,928)</u>	<u>(358,075)</u>	<u>(339,582)</u>	<u>(331,430)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,134,954	\$3,082,733	\$2,983,958	\$2,829,850	\$2,549,462
<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$3,425	\$3,717			
<u>(3,425)</u>	<u>(3,717)</u>			
<u>\$0</u>	<u>\$0</u>			
\$26,346	\$30,975			
<u>13.00%</u>	<u>12.00%</u>			
\$33,241	\$63,636			
<u>(33,241)</u>	<u>(63,636)</u>			
<u>\$0</u>	<u>\$0</u>			
\$3,202,000	\$3,147,758			
<u>1.02%</u>	<u>2.04%</u>			

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	\$517,241	\$486,751	\$473,318	\$457,054
Contributions in Relation to the Contractually Required Contribution	<u>(517,241)</u>	<u>(486,751)</u>	<u>(473,318)</u>	<u>(457,054)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,425,784	\$2,283,670	\$2,223,558	\$2,144,400
Contributions as a Percentage of Covered Payroll	21.32%	21.31%	21.29%	21.31%
Net OPEB Liability				
Contractually Required Contribution	\$12,129	\$11,419	\$11,118	\$10,722
Contributions in Relation to the Contractually Required Contribution	<u>(12,129)</u>	<u>(11,419)</u>	<u>(11,118)</u>	<u>(10,722)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,425,784	\$2,283,670	\$2,223,558	\$2,144,400
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(1) The City's Covered payroll is the same for pension and OPEB.

See Notes to the Required Supplementary Information

2017	2016	2015	2014	2013	2012
\$440,179	\$425,129	\$423,223	\$411,512	\$332,016	\$246,879
(440,179)	(425,129)	(423,223)	(411,512)	(332,016)	(246,879)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,062,044	\$1,998,757	\$1,980,559	\$1,925,160	\$1,819,530	\$1,628,314
21.35%	21.27%	21.37%	21.38%	18.25%	15.16%
\$10,310	\$9,994	\$9,903	\$9,626	\$65,807	\$109,911
(10,310)	(9,994)	(9,903)	(9,626)	(65,807)	(109,911)
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,062,044	\$1,998,757	\$1,980,559	\$1,925,160	\$1,819,530	\$1,628,314
0.50%	0.50%	0.50%	0.50%	3.62%	6.75%

City of Galion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

Changes in Assumptions - OPERS Pension - Traditional Plan

Amounts reported beginning in 2019 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in prior years are presented below.

	<u>2019</u>	<u>2018 and 2017</u>	<u>2016 and Prior</u>
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013	3 percent simple	3 percent simple	3 percent simple
Post-January 7, 2013	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age	individual entry age

The assumptions related to COLA and Ad Hoc COLA for post-January 7, 2013, retirees are as follows.

2021	.5 percent simple through 2021, then 2.15 percent simple
2020	1.4 percent simple through 2020, then 2.15 percent simple
2017 through 2019	3 percent simple through 2019, then 2.15 percent simple
2016 and prior	3 percent simple through 2018, then 2.8 percent simple

Amounts reported beginning in 2017 use preretirement mortality rates based on the RP-2014 Employees Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year were determined by applying the MP-2015 Mortality Improvement Scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 Mortality Table with no projections. For males, 120 percent of the disabled female mortality rates were used, set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions - OPERS Pension - Combined Plan

For 2021 and 2020, the combined plan had the same change in COLA or Ad Hoc COLA for post-January 7, 2013, retirees as the traditional plan. For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

City of Galion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

Changes in Assumptions - OPF Pension

Amounts reported beginning in 2018 incorporate changes in assumptions used by OPF in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in 2017 and prior are presented below.

Valuation Date	<u>Beginning in 2018</u>	<u>2017 and Prior</u>
	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017 individual entry age	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016 individual entry age
Actuarial Cost Method	8 percent	8.25 percent
Investment Rate of Return	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Projected Salary Increases	inflation rate of 2.75 percent plus productivity increase rate of .5 percent	inflation rate of 3.25 percent plus productivity increase rate of .5 percent
Payroll Growth	2.2 percent simple for increase based on the lesser of the increase in CPI and 3 percent	3 percent simple; 2.6 percent simple for increase based on the lesser of the increase in CPI and 3 percent

Amounts reported beginning in 2018 use valuation, mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77%	68%
68 - 77	105	87
78 and up	115	120

Amounts reported beginning in 2018 use valuation, mortality for disabled participants was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck/Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35%	35%
60 - 69	60	45
70 - 79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP-2000 Combined Table age adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis with a base year of 2009 using Mortality Improvement Scale AA.

City of Galion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

Changes in Assumptions - OPERS OPEB

Investment Return Assumption	
Beginning in 2019	6 percent
2018	6.5 percent
Municipal Bond Rate	
2021	2 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate	
2021	6 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate	
2021	8 percent initial 3.5 percent ultimate in 2035
2020	10 percent initial 3.5 percent ultimate in 2030
2019	10 percent initial 3.25 percent ultimate in 2029
2018	7.5 percent initial 3.25 percent ultimate in 2028

Changes in Assumptions - OPF OPEB

Blended Discount Rate	
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms - OPERS OPEB

On January 15, 2020, the OPERS Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in an effort to decrease costs and increase the solvency of the health care plan. These changes were effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees as well as replacing OPERS sponsored medical plans for non-Medicare retirees with monthly allowances similar to the program for Medicare retirees. These changes are reflected in 2021.

Changes in Benefit Terms - OPF OPEB

For 2019, OPF recognized a change in benefit terms. Under the new model, OPF provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This model replaced the self-insured health care plan used in prior years.

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

City of Galion
Crawford County
301 Harding Way East
Galion, Ohio 44833

To the Members of Council:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, (the City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2022. Our report includes a reference to other auditors who audited the financial statements of the City of Galion Board of Health, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

November 30, 2022

OHIO AUDITOR OF STATE KEITH FABER



**CITY OF GALION
CRAWFORD COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/3/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov