



Mary Taylor, CPA
Auditor of State

**CITY OF GALION
CRAWFORD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as described in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Auditor of State served during the year ended December 31, 2009, as the City's financial supervisor under Ohio Revised Code §118.05(G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to the audit the City because the Auditor of State may assume broad management powers, duties, and function under Ohio Revised Code §118.04. However, *Government Auditing Standards* permit the Auditor of State to audit and opine on this entity because Ohio Revised Code §118.05(G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §§117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Freese Foundation Component Unit (FFCU) were not audited, and we were not engaged to audit the FFCU financial statements as part of our audit of the City's basic financial statements. The FFCU financial activities are included in the City's basic financial statements as a discretely presented component unit.

As described in Note 25, on August 9, 2004, the City of Galion was placed in fiscal emergency by the State of Ohio pursuant to Ohio Revised Code Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B). A fiscal emergency commission was appointed to oversee the financial affairs of the City and, as required by Ohio Revised Code §118.05(G), the Auditor of State served as the City's financial supervisor.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the FFCU's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Galion, Crawford County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Police and Fire Levy Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the City's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

October 1, 2010

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2009 are as follows:

In total, the City's net assets increased almost 14 percent from the prior year; 12 percent for governmental activities and almost 10 percent for business-type activities. Although total revenues remained fairly comparable to the prior year and expenses increased for both governmental and business-type activities, the excess of revenues over expenses resulted in an increase in net assets for both governmental and business-type activities.

General revenues made up 57 percent of the total revenues for governmental activities in 2009, and of this amount, 67 percent was provided through municipal income taxes, the most critical of the City's revenue sources.

Although the City has entered into its sixth year since being declared in fiscal emergency, the City has made significant progress to date. However, resolution of the deficit in the Street Maintenance Fund continues to present a significant challenge to the City. While the City is still unable to project when it will emerge from fiscal emergency, the progress made to date reflects the diligence of City officials and employees to regaining financial stability in the City.

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 assets 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 special revenue fund, the Urban Paving Project capital projects fund, and the Water, Sewer, Electric, and Storm Water enterprise funds.

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2009. 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.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

These statements report the City's net assets and changes in those assets. This change in net assets 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.

In the statement of net assets 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, and general government. 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 special revenue fund, the Urban Paving capital project fund, 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 has two different types of proprietary funds. 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. The internal service fund is an accounting device used to accumulate and allocate internal costs among other programs and activities. The City's internal service fund accounts for the City's self-insured program for employee dental and vision benefits.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2009 and 2008.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<u>Assets</u>						
Current and Other Assets	\$7,834,968	\$7,853,072	\$17,882,151	\$18,177,101	\$25,717,119	\$26,030,173
Capital Assets, Net	16,650,940	15,660,940	27,070,226	23,793,194	43,721,166	39,454,134
Total Assets	24,485,908	23,514,012	44,952,377	41,970,295	69,438,285	65,484,307
<u>Liabilities</u>						
Current and Other Liabilities	1,910,669	2,795,675	1,821,142	2,278,975	3,731,811	5,074,650
Long-Term Liabilities	2,848,510	3,176,345	23,242,311	21,553,683	26,090,821	24,730,028
Total Liabilities	4,759,179	5,972,020	25,063,453	23,832,658	29,822,632	29,804,678
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	14,176,261	12,824,151	9,038,722	7,877,162	23,214,983	20,701,313
Restricted	2,233,092	2,347,292	0	0	2,233,092	2,347,292
Unrestricted	3,317,376	2,370,549	10,850,202	10,260,475	14,167,578	12,631,024
Total Net Assets	\$19,726,729	\$17,541,992	\$19,888,924	\$18,137,637	\$39,615,653	\$35,679,629

A review of the above table reflects several significant changes from the prior year for governmental activities. The increase in net capital assets was primarily related to the completion of several street improvement projects as well as the completion of the Urban Paving project (a combined City/Ohio Department of Transportation (ODOT) project). The completion of these projects is also reflected in the decrease in current and other liabilities (a decrease in contracts payable and amounts due to ODOT) as well as the increase in invested in capital assets. Also of note is the increase in unrestricted net assets, the result of the excess of revenues over expenses for 2009.

Notable changes for business-type activities include the increase in net capital assets due in large part to the City's ongoing construction for two major projects, the Bio-Solids project at the wastewater treatment plant and electric subsystem upgrade on Railroad Street, along with upgrading the City's electric distribution system. Other sizable projects included the upgrade to the County Line lift station and the rehabilitation of the water tower on Dawsett Avenue. Fewer outstanding payables for these projects led to a decrease in current and other liabilities in 2009 but an increase in amounts borrowed from the Ohio Water Development Authority also led to an increase in long-term liabilities. The combination of all of these factors is reflected in the increase in invested in capital assets.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for 2009 and 2008.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues						
Charges for Services	\$1,493,411	\$1,434,041	\$15,469,923	\$15,121,053	\$16,963,334	\$16,555,094
Operating Grants, Contributions, and Interest	686,842	1,087,869	0	0	686,842	1,087,869
Capital Grants and Contributions	2,084,961	715,240	709,343	422,744	2,794,304	1,137,984
Total Program Revenues	4,265,214	3,237,150	16,179,266	15,543,797	20,444,480	18,780,947
General Revenues						
Property Taxes Levied for General Purposes	385,539	395,565	0	0	385,539	395,565
Property Taxes Levied for Police and Fire Pension	70,550	72,392	0	0	70,550	72,392
Municipal Income Taxes Levied for General Purposes	1,931,818	2,199,139	0	0	1,931,818	2,199,139
Municipal Income Taxes Levied for Police and Fire	1,718,664	1,957,563	0	0	1,718,664	1,957,563
Municipal Income Taxes Levied for Recreation	213,155	241,356	0	0	213,155	241,356
Other Local Taxes	435,658	443,157	0	0	435,658	443,157
Grants and Entitlements not Restricted to Specific Programs	491,830	617,052	0	0	491,830	617,052
Franchise Fees	114,221	118,199	0	0	114,221	118,199
Interest	14,174	167,584	3,914	58,445	18,088	226,029
Other	386,861	462,664	124,466	326,927	511,327	789,591
Total General Revenues	5,762,470	6,674,671	128,380	385,372	5,890,850	7,060,043
Total Revenues	10,027,684	9,911,821	16,307,646	15,929,169	26,335,330	25,840,990

(continued)

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<u>Program Expenses</u>						
Security of Persons and Property						
Police	\$1,766,061	\$1,667,279	\$0	\$0	\$1,766,061	\$1,667,279
Fire	1,882,132	1,630,940	0	0	1,882,132	1,630,940
Public Health	439,527	422,506	0	0	439,527	422,506
Leisure Time Activities	238,942	260,455	0	0	238,942	260,455
Community Environment	189,623	257,184	0	0	189,623	257,184
Transportation	1,802,184	1,623,790	0	0	1,802,184	1,623,790
General Government	1,337,850	1,370,129	0	0	1,337,850	1,370,129
Interest and Fiscal Charges	191,169	187,743	0	0	191,169	187,743
Water	0	0	1,743,565	1,823,826	1,743,565	1,823,826
Sewer	0	0	1,559,959	1,814,356	1,559,959	1,814,356
Electric	0	0	10,878,722	9,389,184	10,878,722	9,389,184
Storm Water	0	0	369,572	312,291	369,572	312,291
Total Expenses	<u>7,847,488</u>	<u>7,420,026</u>	<u>14,551,818</u>	<u>13,339,657</u>	<u>22,399,306</u>	<u>20,759,683</u>
Increase in Net Assets	2,180,196	2,491,795	1,755,828	2,589,512	3,936,024	5,081,307
Before Transfers						
Transfers	4,541	(43,790)	(4,541)	43,790	0	0
Increase in Net Assets	<u>2,184,737</u>	<u>2,448,005</u>	<u>1,751,287</u>	<u>2,633,302</u>	<u>3,936,024</u>	<u>5,081,307</u>
Net Assets Beginning of Year	<u>17,541,992</u>	<u>15,093,987</u>	<u>18,137,637</u>	<u>15,504,335</u>	<u>35,679,629</u>	<u>30,598,322</u>
Net Assets End of Year	<u>\$19,726,729</u>	<u>\$17,541,992</u>	<u>\$19,888,924</u>	<u>\$18,137,637</u>	<u>\$39,615,653</u>	<u>\$35,679,629</u>

The above table reflects the revenues and expenses for operating the City for the past two years. For governmental activities, there was a sizable increase in program revenues. Although operating grants and contributions decreased due to fewer grants received, there was a significant increase in capital grants and contributions, the result of state and federal resources received for the Urban Paving project. For general revenues, there was a 12 percent decrease in income tax revenues, a reflection of the poor economic conditions of the past year. The poor economy is also attributed to the decrease in interest revenue. In total, revenues increased a very modest 1 percent from the prior year.

Governmental activities expenses increased almost 6 percent from 2008, a significant portion of this increase is reflected in the security of persons and property program and due to the addition of officers and firefighters. Note that police and fire operations account for 46 percent of the City's total expenses and the street department operations (i.e. transportation) account for another 23 percent of total expenses. These three departments, along with the basic costs of city operations (administration, receipt collections, paying bills, etc.), account for almost 87 percent of all of the City's governmental expenses.

As is to be expected, 95 percent of the revenues for business-type activities are received through charges for services provided to the users of the systems. By far, the electric distribution system is the City's largest enterprise as demonstrated by the costs to operate the system. As is the intent of enterprise operations, the costs of the City's four utilities were recovered through user charges in 2009.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

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	
	2009	2008	2009	2008
Security of Persons and Property				
Police	\$1,766,061	\$1,667,279	\$1,677,149	\$1,589,503
Fire	1,882,132	1,630,940	1,337,371	1,172,206
Public Health	439,527	422,506	215,587	218,259
Leisure Time Activities	238,942	260,455	219,083	232,462
Community Environment	189,623	257,184	(61,103)	(13,447)
Transportation	1,802,184	1,623,790	(881,714)	(80,917)
General Government	1,337,850	1,370,129	884,732	877,067
Interest and Fiscal Charges	191,169	187,743	191,169	187,743
Total Expenses	\$7,847,488	\$7,420,026	\$3,582,274	\$4,182,876

While the dependence on general revenues to pay for the various services provided by the City is significant, program revenues in several of the programs provide for a considerable portion of the costs. For example, charges for services provide for almost 29 percent of the costs of providing fire services. These charges are for ambulance services as well as the amount charged to Polk Township for fire/ambulance services. Charges for services and operating grants provide for 51 percent of public health costs. Operating and capital grants provided revenues in excess of program costs again in 2009 for the community environment program, generally in the form of community development block grants and revolving loan monies for various community rehabilitation projects. Charges for services and various grants and contributions were also in excess of transportation costs in 2009 (the transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes). In addition, this program also received state and federal grant resources in 2009 for the Urban Paving project. Program revenues also provided for 34 percent of the costs of the general government program. A large portion of this amount is the result of charges to the utility systems for general government services provided to them.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Police and Fire Levy special revenue fund, and the Urban Paving Project capital projects fund. The General Fund experienced a \$1 million increase in fund balance in 2009; a similar increase occurred in the prior year as well. Although revenues in the General Fund decreased almost 8 percent (primarily due to the decrease in income tax revenue discussed previously) and expenditures were nearly the same as the prior year, revenues continued to exceed expenditures. In addition, fewer General Fund resources were necessary to subsidize activities in other funds in 2009.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
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(Continued)**

The Police and Fire Levy Fund had a 90 percent decrease in fund balance. Revenues decreased almost 7 percent (less income taxes due to economic conditions) and there was a slight increase in expenditures (2 percent) and due to additional officers and firefighters.

The Urban Paving Project Fund had a 10 percent increase in fund balance due to resources received from other funds to pay debt principal and interest.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water, Sewer, Electric, and Storm Water funds. As can be seen on the statement of revenues, expenses, and changes in fund net assets, all four funds experienced an operating income in 2009.

In July 2005, the City implemented rate increases for water, sewer, and electric. The City increased rates for both water and sewer again in January 2006, 2007, 2008, 2009, and again in 2010. An additional \$1.00 storm water fee was effective in January 2009 and was raised by an additional \$1 in January 2010. There are no future rate increases currently scheduled for electric other than the Power Cost Adjustment (PCA) to recapture the City's cost for electricity; however, a current electric rate study is in progress.

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; however, there was a decrease of almost 12 percent from the final budget to actual revenues received. The most significant changes were due to the impact of the economy as both income tax revenue and interest revenue projections were reduced. Charges for services projections, primarily related to ambulance charges, was also reduced. For expenditures, changes from the original budget to the final budget were not significant. There was a 23 percent decrease from the final budget to actual expenditures due to restricting spending as much as possible in the City's efforts towards financial recovery. Also, note that the City did not budget for principal and interest payments on the local government fund notes. In accordance with section 118.17 of the Ohio Revised Code, the City is restricted from budgeting for these expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2009, was \$16,650,940 and \$27,070,226, respectively (net of accumulated depreciation). The additions for governmental activities included construction on various park, street, and airport improvements, construction of a new HVAC system in the City Annex Building, equipment for the fire department, an ambulance, and two cruisers. The primary additions for business-type activities consisted of continued construction at the wastewater treatment plant and of the Railroad Street substation and distribution system, rehabilitation of the Dawsett Avenue water tank, and a meter truck. For further information regarding the City's capital assets, refer to Note 10 to the basic financial statements.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Debt - At December 31, 2009, the City had \$457,000 in revenue anticipation notes and \$605,400 in bond anticipation notes payable from governmental activities. There was \$423,500 in bond anticipation notes payable from business-type activities. The City also had a number of long-term obligations outstanding including \$10,140,500 in general obligation bonds, \$401,391 in Ohio Public Works Commission loans, and \$12,259,458 in Ohio Water Development Authority loans. Of this debt, \$20,760,980 will be paid from business-type activities.

In addition, the City's long-term obligations also include the liability for police and fire incurred when the State of Ohio established the statewide pension system, compensated absences, capital leases, and a long-term obligation with AMP-Ohio. For further information regarding the City's debt, refer to Notes 17, 18, and 19 to the basic financial statements.

CURRENT ISSUES

As of December 31, 2009, the City has been in fiscal emergency just under five and one-half years, so the City's primary concern continues to be reestablishing positive fund balances and financial stability. While the City's financial statements reflect the progress the City has made, the City is still unable to project when it will emerge from fiscal emergency.

Despite the fact that the City's financial picture at the end of 2009 reflects ongoing improvement, the City continues to operate with very restricted spending as all of the City's financial challenges have yet to be resolved. In March 2008, the City negotiated new contracts with all three of the City's unions. Due to improvements in the City's financial status, the City was able to provide for salary increases as part of these agreements. All City employees received a 3 percent salary increase for 2008, 2009, and 2010. The City will begin new negotiations with all three unions the latter part of 2010.

Another critical step toward the City's recovery was the approval by the voters, in May 2009, to make permanent the .5 percent income tax levy for police and fire operations originally approved for a five-year term in 2006. Without the continuation of this levy, the City's ability to sustain police and fire protection was in question. The levy generates approximately \$900,000 annually.

In October 2009, the City issued \$1,028,900 in bond anticipation notes. The proceeds from the notes were used to acquire a new heating and air conditioning system for the City Annex Building (\$110,000), to rollover the City's share of the cost of the Urban Paving Project sponsored by the Ohio Department of Transportation (\$495,000), to improve sanitary sewer lines (\$136,500), and to rollover the debt in the Storm Water Fund for improvements to the system (\$287,000).

Other projects that the City has been able to complete in 2009 include refurbishing the water tower on Dawsett Avenue, the County Line lift station, the Urban Paving project which resurfaced all state highways running through the City, the Railroad Substation (although work continues on the distribution system upgrade), a new restroom was constructed at Heise Park, and several street improvement projects were completed. Work continues on the Bio-Solids project at the wastewater treatment plant and work has also started on the Influent upgrade at the plant. A number of other smaller projects are in various stages of completion.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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UNAUDITED
(Continued)**

While 2009 offered many positives, the inability to determine an end to the fiscal emergency makes evident the significant challenges still ahead of the City. One major obstacle for the City to resolve is how to eliminate the deficit in the Street Maintenance fund. With a deficit fund balance of \$1,097,744 at the end of 2009, this is a very difficult issue for the City to resolve. The revenue sources in this fund are generally limited to motor vehicle license and gas tax monies received from the State. Additional motor vehicles license fees are levied by the City and those resources are also used for street improvement purposes. The City approved a \$10 increase in these fees (bringing the local levied amount to \$20); however, this will only generate approximately \$100,000 for the City annually. Collections began in 2009. The Street Maintenance Fund will continue to have a negative cash balance until additional revenue sources can be applied towards this deficit.

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 Audrey Brodzinski, Finance Director, City of Galion, 115 Harding Way East, Galion, Ohio 44833.

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**CITY OF GALION
CRAWFORD COUNTY**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$4,205,207	\$12,864,504	\$17,069,711	\$0
Cash and Cash Equivalents with Fiscal Agent	81,865	343,788	425,653	0
Cash and Cash Equivalents with Escrow Agent	0	29,106	29,106	0
Investments in Segregated Accounts	0	0	0	9,140,992
Accounts Receivable	113,634	3,019,872	3,133,506	0
Due from Other Governments	768,500	0	768,500	0
Municipal Income Taxes Receivable	973,531	0	973,531	0
Other Local Taxes Receivable	13,762	0	13,762	0
Excise Taxes Receivable	0	36,891	36,891	0
Internal Balances	415,015	(415,015)	0	0
Prepaid Items	25,773	21,032	46,805	0
Materials and Supplies Inventory	104,258	18,075	122,333	0
Property Taxes Receivable	482,572	0	482,572	0
Notes Receivable	650,851	0	650,851	0
Special Assessments Receivable	0	452,914	452,914	0
Nondepreciable Capital Assets	3,787,568	6,813,840	10,601,408	0
Depreciable Capital Assets, Net	12,863,372	20,256,386	33,119,758	0
Investment in Joint Venture	0	1,510,984	1,510,984	0
Total Assets	24,485,908	44,952,377	69,438,285	9,140,992
<u>Liabilities</u>				
Accrued Wages Payable	110,458	48,385	158,843	0
Accounts Payable	27,913	756,638	784,551	0
Contracts Payable	23,901	100,722	124,623	0
Due to Other Governments	216,716	97,603	314,319	0
Retainage Payable	0	46,589	46,589	0
Accrued Interest Payable	24,403	91,439	115,842	0
Notes Payable	1,062,400	423,500	1,485,900	0
Deferred Revenue	439,797	0	439,797	0
Claims Payable	5,081	0	5,081	0
Deposits Held and Due to Others	0	256,266	256,266	0
Long-Term Liabilities				
Due Within One Year	830,542	1,089,819	1,920,361	0
Due in More Than One Year	2,017,968	22,152,492	24,170,460	0
Total Liabilities	4,759,179	25,063,453	29,822,632	0
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt Restricted for	14,176,261	9,038,722	23,214,983	0
Capital Projects	352,947	0	352,947	0
Debt Service	62,303	0	62,303	0
Police and Fire	348,456	0	348,456	0
Revolving Loans	988,005	0	988,005	0
Other Purposes	481,381	0	481,381	0
Unrestricted	3,317,376	10,850,202	14,167,578	9,140,992
Total Net Assets	\$19,726,729	\$19,888,924	\$39,615,653	\$9,140,992

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Revenues			
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$1,766,061	\$41,908	\$47,004	\$0
Fire	1,882,132	539,099	5,662	0
Public Health	439,527	188,832	35,108	0
Leisure Time Activities	238,942	6,593	13,266	0
Community Environment	189,623	0	248,680	2,046
Transportation	1,802,184	272,251	336,632	2,075,015
General Government	1,337,850	444,728	490	7,900
Interest and Fiscal Charges	191,169	0	0	0
Total Governmental Activities	7,847,488	1,493,411	686,842	2,084,961
<u>Business-Type Activities</u>				
Water	1,743,565	1,774,775	0	0
Sewer	1,559,959	1,863,967	0	709,343
Electric	10,878,722	11,325,854	0	0
Storm Water	369,572	505,327	0	0
Total Business-Type Activities	14,551,818	15,469,923	0	709,343
Total Primary Government	\$22,399,306	\$16,963,334	\$686,842	\$2,794,304
<u>Component Unit</u>				
Egbert M. Freese Foundation	\$446,165	\$0	\$0	\$0
Total	\$22,845,471	\$16,963,334	\$686,842	\$2,794,304

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 Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation
(\$1,677,149)	\$0	(\$1,677,149)	\$0
(1,337,371)	0	(1,337,371)	0
(215,587)	0	(215,587)	0
(219,083)	0	(219,083)	0
61,103	0	61,103	0
881,714	0	881,714	0
(884,732)	0	(884,732)	0
(191,169)	0	(191,169)	0
<u>(3,582,274)</u>	<u>0</u>	<u>(3,582,274)</u>	<u>0</u>
0	31,210	31,210	0
0	1,013,351	1,013,351	0
0	447,132	447,132	0
0	135,755	135,755	0
<u>0</u>	<u>1,627,448</u>	<u>1,627,448</u>	<u>0</u>
<u>(3,582,274)</u>	<u>1,627,448</u>	<u>(1,954,826)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(446,165)</u>
<u>(3,582,274)</u>	<u>1,627,448</u>	<u>(1,954,826)</u>	<u>(446,165)</u>
385,539	0	385,539	0
70,550	0	70,550	0
1,931,818	0	1,931,818	0
1,718,664	0	1,718,664	0
213,155	0	213,155	0
435,658	0	435,658	0
491,830	0	491,830	0
114,221	0	114,221	0
14,174	3,914	18,088	1,588,300
386,861	124,466	511,327	0
5,762,470	128,380	5,890,850	1,588,300
4,541	(4,541)	0	0
<u>5,767,011</u>	<u>123,839</u>	<u>5,890,850</u>	<u>1,588,300</u>
2,184,737	1,751,287	3,936,024	1,142,135
<u>17,541,992</u>	<u>18,137,637</u>	<u>35,679,629</u>	<u>7,998,857</u>
<u>\$19,726,729</u>	<u>\$19,888,924</u>	<u>\$39,615,653</u>	<u>\$9,140,992</u>

**CITY OF GALION
CRAWFORD COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Police and Fire Levy	Urban Paving Project	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,164,986	\$40,845	\$0	\$928,368	\$4,134,199
Accounts Receivable	113,634	0	0	0	113,634
Due from Other Governments	277,413	0	254,242	236,845	768,500
Municipal Income Taxes Receivable	486,766	436,722	0	50,043	973,531
Other Local Taxes Receivable	189	0	0	13,573	13,762
Interfund Receivable	1,676,903	0	0	0	1,676,903
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	4,131	0	0	0	4,131
Cash and Cash Equivalents with Fiscal Agent	81,865	0	0	0	81,865
Prepaid Items	17,886	0	0	7,887	25,773
Materials and Supplies Inventory	0	0	0	104,258	104,258
Property Taxes Receivable	396,011	0	0	86,561	482,572
Notes Receivable	0	0	0	650,851	650,851
Total Assets	\$6,219,784	\$477,567	\$254,242	\$2,078,386	\$9,029,979
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accrued Wages Payable	\$35,023	\$65,808	\$0	\$9,627	\$110,458
Accounts Payable	24,669	0	0	3,244	27,913
Contracts Payable	0	0	0	23,901	23,901
Due to Other Governments	74,988	63,303	0	78,425	216,716
Interfund Payable	0	0	0	1,239,066	1,239,066
Accrued Interest Payable	13,792	0	1,650	0	15,442
Notes Payable	567,400	0	495,000	0	1,062,400
Deferred Revenue	1,052,022	315,088	254,242	323,624	1,944,976
Total Liabilities	1,767,894	444,199	750,892	1,677,887	4,640,872
<u>Fund Balance</u>					
Reserved for Unclaimed Monies	4,131	0	0	0	4,131
Reserved for Future Debt Service	81,865	0	0	0	81,865
Reserved for Notes Receivable	0	0	0	580,401	580,401
Reserved for Encumbrances	126,232	0	0	331,962	458,194
<u>Unreserved, Reported in</u>					
General Fund	4,239,662	0	0	0	4,239,662
Special Revenue Funds (Deficit)	0	33,368	0	(609,144)	(575,776)
Debt Service Funds (Deficit)	0	0	0	(3,075)	(3,075)
Capital Projects Funds (Deficit)	0	0	(496,650)	100,355	(396,295)
Total Fund Balance (Deficit)	4,451,890	33,368	(496,650)	400,499	4,389,107
Total Liabilities and Fund Balance	\$6,219,784	\$477,567	\$254,242	\$2,078,386	\$9,029,979

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Total Governmental Fund Balance		\$4,389,107
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		16,650,940
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	93,475	
Due from Other Governments	703,743	
Municipal Income Taxes Receivable	665,186	
Property Taxes Receivable	42,775	
		1,505,179
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(22,822)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(8,961)	
General Obligation Bonds Payable	(1,909,500)	
OPWC Loans Payable	(130,869)	
Police Pension Liability	(25,988)	
Fire Pension Liability	(98,505)	
Compensated Absences Payable	(683,648)	
		(2,857,471)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		61,796
Net Assets of Governmental Activities		\$19,726,729

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Police and Fire Levy	Urban Paving Project	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$383,585	\$0	\$0	\$70,182	\$453,767
Municipal Income Taxes	1,997,345	1,777,637	0	219,708	3,994,690
Other Local Taxes	435,658	0	0	186,778	622,436
Charges for Services	1,086,606	0	0	92,066	1,178,672
Fees, Licenses, and Permits	151,846	0	0	0	151,846
Fines and Forfeitures	27,768	0	0	12,959	40,727
Intergovernmental	555,839	0	1,551,876	931,964	3,039,679
Interest	14,151	0	0	22,410	36,561
Other	30,045	2,175	0	345,092	377,312
Total Revenues	4,682,843	1,779,812	1,551,876	1,881,159	9,895,690
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	476,382	1,063,876	0	234,502	1,774,760
Fire	423,912	1,022,068	0	283,543	1,729,523
Public Health	431,782	0	0	0	431,782
Leisure Time Activities	0	0	0	196,696	196,696
Community Environment	0	0	0	189,623	189,623
Transportation	0	0	1,551,876	1,378,562	2,930,438
General Government	1,319,422	0	0	55,171	1,374,593
Debt Service:					
Principal Retirement	15,570	0	0	456,674	472,244
Interest and Fiscal Charges	32,010	0	35,334	125,948	193,292
Total Expenditures	2,699,078	2,085,944	1,587,210	2,920,719	9,292,951
Excess of Revenues Over (Under) Expenditures	1,983,765	(306,132)	(35,334)	(1,039,560)	602,739
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	49,300	0	0	0	49,300
OPWC Loans Issued	0	0	0	78,150	78,150
Transfers In	0	0	90,055	1,014,061	1,104,116
Transfers Out	(940,076)	0	0	(161,862)	(1,101,938)
Total Other Financing Sources (Uses)	(890,776)	0	90,055	930,349	129,628
Changes in Fund Balance	1,092,989	(306,132)	54,721	(109,211)	732,367
Fund Balance (Deficit) Beginning of Year	3,358,901	339,500	(551,371)	509,710	3,656,740
Fund Balance (Deficit) End of Year	<u>\$4,451,890</u>	<u>\$33,368</u>	<u>(\$496,650)</u>	<u>\$400,499</u>	<u>\$4,389,107</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Changes in Fund Balance - Total Governmental Funds \$732,367

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	1,638,099	
Capital Outlay - Depreciable Capital Assets	571,138	
Depreciation	<u>(987,343)</u>	1,221,894

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.

Proceeds from Sale of Capital Assets	(49,300)	
Gain on Disposal of Capital Assets	14,000	
Loss on Disposal of Capital Assets	<u>(196,594)</u>	(231,894)

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

Property Taxes	2,322	
Municipal Income Taxes	(131,053)	
Charges for Services	50,688	
Intergovernmental	197,116	
Licenses and Permits	<u>(1,079)</u>	117,994

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

General Obligation Bonds Payable	469,570	
Police Pension Liability	558	
Fire Pension Liability	<u>2,116</u>	472,244

OPWC loan proceeds are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net assets. (78,150)

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. 2,123

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. (66,259)

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. 14,418

Change in Net Asssets of Governmental Activities \$2,184,737

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<u>Revenues</u>				
Property Taxes	\$475,000	\$475,000	\$383,585	(\$91,415)
Municipal Income Taxes	2,270,000	2,270,000	1,987,359	(282,641)
Other Local Taxes	410,000	410,000	436,010	26,010
Charges for Services	1,295,500	1,295,500	1,084,441	(211,059)
Fees, Licenses, and Permits	175,000	175,000	151,846	(23,154)
Fines and Forfeitures	31,000	31,000	28,127	(2,873)
Intergovernmental	429,000	429,000	525,318	96,318
Interest	150,000	150,000	14,190	(135,810)
Other	0	0	15,845	15,845
Total Revenues	5,235,500	5,235,500	4,626,721	(608,779)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	656,293	674,325	480,260	194,065
Fire	564,650	564,650	431,843	132,807
Public Health	601,100	601,100	428,155	172,945
General Government	2,003,254	1,988,804	1,441,978	546,826
Debt Service:				
Principal Retirement	113,600	15,600	113,570	(97,970)
Interest and Fiscal Charges	34,610	2,000	34,521	(32,521)
Total Expenditures	3,973,507	3,846,479	2,930,327	916,152
Excess of Revenues Over Expenditures	1,261,993	1,389,021	1,696,394	307,373
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	0	0	16,549	16,549
Sale of Capital Assets	0	0	49,300	49,300
Proceeds of Notes	0	0	110,400	110,400
Transfers Out	(1,231,643)	(1,254,005)	(940,076)	313,929
Total Other Financing Sources (Uses)	(1,231,643)	(1,254,005)	(763,827)	490,178
Changes in Fund Balance	30,350	135,016	932,567	797,551
Fund Balance Beginning of Year	3,404,697	3,404,697	3,404,697	0
Prior Year Encumbrances Appropriated	13,257	13,257	13,257	0
Fund Balance End of Year	\$3,448,304	\$3,552,970	\$4,350,521	\$797,551

See Accompanying Notes to the Basic Financial Statements

CITY OF GALION
CRAWFORD COUNTY

**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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Over (Under)
<u>Revenues</u>				
Municipal Income Taxes	\$2,020,300	\$2,020,300	\$1,768,750	(\$251,550)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,223,250	1,223,250	1,052,054	171,196
Fire	1,148,750	1,148,750	1,015,219	133,531
Total Expenditures	2,372,000	2,372,000	2,067,273	304,727
Excess of Revenues Under Expenditures	(351,700)	(351,700)	(298,523)	53,177
<u>Other Financing Sources</u>				
Other Financing Sources	0	0	2,175	2,175
Transfers In	153,200	153,200	0	(153,200)
Total Other Financing Sources	153,200	153,200	2,175	(151,025)
Changes in Fund Balance	(198,500)	(198,500)	(296,348)	(97,848)
Fund Balance Beginning of Year	337,193	337,193	337,193	0
Fund Balance End of Year	<u>\$138,693</u>	<u>\$138,693</u>	<u>\$40,845</u>	<u>(\$97,848)</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF GALION
CRAWFORD COUNTY

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business-Type Activities				Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Storm Water		Internal Service Fund
Assets						
Current Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,921,278	\$1,641,017	\$7,945,318	\$1,100,625	\$12,608,238	\$66,877
Cash and Cash Equivalents with Fiscal Agent	0	0	343,788	0	343,788	0
Accounts Receivable	365,791	297,076	2,283,583	73,422	3,019,872	0
Excise Taxes Receivable	0	0	36,891	0	36,891	0
Restricted Assets						
Equity in Pooled Cash and Cash Equivalents	72,047	68,586	115,633	0	256,266	0
Cash and Cash Equivalents with Escrow Agent	0	29,106	0	0	29,106	0
Prepaid Items	4,908	5,030	9,581	1,513	21,032	0
Materials and Supplies Inventory	16,936	1,139	0	0	18,075	0
Special Assessments Receivable	10,742	17,527	0	0	28,269	0
Total Current Assets	2,391,702	2,059,481	10,734,794	1,175,560	16,361,537	66,877
Non-Current Assets						
Special Assessments Receivable	161,365	263,280	0	0	424,645	0
Nondepreciable Capital Assets	861,428	5,730,638	188,634	33,140	6,813,840	0
Depreciable Capital Assets, Net	7,744,662	4,724,274	5,988,539	1,798,911	20,256,386	0
Investment in Joint Venture	0	0	1,510,984	0	1,510,984	0
Total Non-Current Assets	8,767,455	10,718,192	7,688,157	1,832,051	29,005,855	0
Total Assets	11,159,157	12,777,673	18,422,951	3,007,611	45,367,392	66,877
Liabilities						
Current Liabilities						
Accrued Wages Payable	11,588	15,463	18,884	2,450	48,385	0
Accounts Payable	1,760	3,276	750,997	605	756,638	0
Contracts Payable	6,275	91,916	2,531	0	100,722	0
Due to Other Governments	22,574	28,668	41,134	5,227	97,603	0
Retainage Payable	0	46,589	0	0	46,589	0
Compensated Absences Payable	40,600	71,375	56,424	3,069	171,468	0
Interfund Payable	114,015	126,420	172,721	24,681	437,837	0
Accrued Interest Payable	0	455	90,027	957	91,439	0
Notes Payable	0	136,500	0	287,000	423,500	0
Claims Payable	0	0	0	0	0	5,081
General Obligations Bonds Payable	0	0	443,000	0	443,000	0
OPWC Loans Payable	10,555	26,907	0	0	37,462	0
OWDA Loans Payable	201,751	77,653	0	0	279,404	0
Capital Leases Payable	0	0	0	30,654	30,654	0
AMP Ohio Payable	0	0	127,831	0	127,831	0
Total Current Liabilities	409,118	625,222	1,703,549	354,643	3,092,532	5,081
Non-Current Liabilities						
Deposits Held and Due to Others	72,047	68,586	115,633	0	256,266	0
General Obligations Bonds Payable	0	0	7,788,000	0	7,788,000	0
OPWC Loans Payable	138,885	94,175	0	0	233,060	0
OWDA Loans Payable	6,733,988	5,246,066	0	0	11,980,054	0
Capital Leases Payable	0	0	0	32,171	32,171	0
AMP Ohio Payable	0	0	1,703,137	0	1,703,137	0
Compensated Absences Payable	100,186	118,715	182,559	14,610	416,070	0
Total Non-Current Liabilities	7,045,106	5,527,542	9,789,329	46,781	22,408,758	0
Total Liabilities	7,454,224	6,152,764	11,492,878	401,424	25,501,290	5,081
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,520,911	5,010,111	1,025,474	1,482,226	9,038,722	0
Unrestricted	2,184,022	1,614,798	5,904,599	1,123,961	10,827,380	61,796
Total Net Assets	\$3,704,933	\$6,624,909	\$6,930,073	\$2,606,187	\$19,866,102	\$61,796

Net assets reported for business-type activities on the statement of net assets are different because they include a proportionate share of the balance of the internal service fund.

22,822

Net assets of business-type activities

\$19,888,924

See Accompanying Notes to the Basic Financial Statements

CITY OF GALION
CRAWFORD COUNTY

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Business-Type Activities				Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Storm Water		Internal Service Fund
<u>Operating Revenues</u>						
Charges for Services	\$1,774,775	\$1,863,967	\$11,325,854	\$505,327	\$15,469,923	\$88,901
Other	30,840	32,188	60,327	515	123,870	0
Total Operating Revenues	1,805,615	1,896,155	11,386,181	505,842	15,593,793	88,901
<u>Operating Expenses</u>						
Salaries	415,830	530,641	583,057	109,334	1,638,862	0
Benefits	231,274	293,126	333,941	52,625	910,966	0
Contractual Services	138,592	144,251	8,406,245	32,705	8,721,793	0
Materials and Supplies	280,559	110,054	203,210	45,043	638,866	0
Bad Debt	0	33,256	227,100	10,814	271,170	0
Claims	0	0	0	0	0	66,015
Depreciation	353,885	214,906	190,387	63,411	822,589	0
Other	114,015	126,420	139,116	24,681	404,232	0
Total Operating Expenses	1,534,155	1,452,654	10,083,056	338,613	13,408,478	66,015
Operating Income	271,460	443,501	1,303,125	167,229	2,185,315	22,886
<u>Non-Operating Revenues (Expenses)</u>						
Interest Revenue	0	0	3,914	0	3,914	0
Interest Expense	(211,950)	(109,761)	(425,786)	(31,128)	(778,625)	0
Loss on Disposal of Capital Assets	(788)	(394)	(270,461)	0	(271,643)	0
Income from Joint Venture	0	0	596	0	596	0
Loss from Joint Venture	0	0	(103,903)	0	(103,903)	0
Total Non-Operating Revenues (Expenses)	(212,738)	(110,155)	(795,640)	(31,128)	(1,149,661)	0
Income before Capital Contributions and Transfers	58,722	333,346	507,485	136,101	1,035,654	22,886
Capital Contributions	0	709,343	0	0	709,343	0
Transfers In	27,287	44,520	0	0	71,807	0
Transfers Out	(28,114)	(45,871)	0	0	(73,985)	0
Changes in Net Assets	57,895	1,041,338	507,485	136,101	1,742,819	22,886
Net Assets Beginning of Year	3,647,038	5,583,571	6,422,588	2,470,086		38,910
Net Assets End of Year	\$3,704,933	\$6,624,909	\$6,930,073	\$2,606,187		\$61,796
The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net income of the internal service fund.					8,468	
Change in net assets of business-type activities					<u>\$1,751,287</u>	

CITY OF GALION
CRAWFORD COUNTY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Business-Type Activities				Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Storm Water		Internal Service Fund
Increases (Decreases) in Cash and Cash Equivalents						
<u>Cash Flows from Operating Activities</u>						
Cash Received from Customers	\$1,922,540	\$1,833,120	\$11,088,153	\$495,359	\$15,339,172	\$0
Cash Received from						
Transactions with Other Funds	0	0	0	0	0	88,901
Cash Received from Deposits	30,636	29,962	56,326	0	116,924	0
Cash Received from Other Revenues	30,840	32,188	64,000	515	127,543	0
Cash Payments for Salaries	(400,734)	(481,515)	(580,428)	(92,019)	(1,554,696)	0
Cash Payments for Benefits	(225,269)	(280,578)	(321,853)	(50,171)	(877,871)	0
Cash Payments for Contractual Services	(148,381)	(160,143)	(8,375,457)	(36,066)	(8,720,047)	0
Cash Payments for Materials and Supplies	(299,720)	(651,819)	(224,280)	(116,268)	(1,292,087)	0
Cash Payments for Claims	0	0	0	0	0	(64,572)
Cash Payments for						
Transactions with Other Funds	(7,410)	(11,100)	(12,402)	(1,223)	(32,135)	0
Cash Payments for Other Expenses	(110,248)	(120,606)	(151,761)	(21,632)	(404,247)	0
Cash Payments for Deposits Refunded	(28,097)	(27,347)	(52,961)	0	(108,405)	0
Net Cash Provided by Operating Activities	<u>764,157</u>	<u>162,162</u>	<u>1,489,337</u>	<u>178,495</u>	<u>2,594,151</u>	<u>24,329</u>
<u>Cash Flows from Noncapital Financing Activities</u>						
Transfers Out	(17,558)	(28,647)	0	0	(46,205)	0
<u>Cash Flows from Capital and Related Financing Activities</u>						
Capital Contributions	0	845,739	0	0	845,739	0
Principal Paid on Bond Anticipation Notes	0	0	0	(431,000)	(431,000)	0
Principal Paid on General Obligation Bonds	0	0	(420,000)	0	(420,000)	0
Principal Paid on OPWC Loans	(5,278)	(13,454)	0	0	(18,732)	0
Principal Paid on OWDA Loans	(210,916)	(50,795)	0	0	(261,711)	0
Principal Paid on Capital Leases	0	0	0	(29,208)	(29,208)	0
Interest Paid on Bond Anticipation Notes	0	0	0	(27,470)	(27,470)	0
Interest Paid on General Obligation Bonds	0	0	(446,001)	0	(446,001)	0
Interest Paid on OWDA Loans	(199,332)	(88,719)	0	0	(288,051)	0
Interest Paid on Capital Leases	0	0	0	(4,556)	(4,556)	0
Bond Anticipation Notes Issued	0	136,500	0	287,000	423,500	0
OWDA Loans Issued	344,027	2,157,037	0	0	2,501,064	0
Acquisition of Capital Assets	(406,837)	(3,150,306)	(692,172)	(33,140)	(4,282,455)	0
Net Cash Used for Capital and Related Financing Activities	<u>(478,336)</u>	<u>(163,998)</u>	<u>(1,558,173)</u>	<u>(238,374)</u>	<u>(2,438,881)</u>	<u>0</u>
<u>Cash Flows from Investing Activities</u>						
Interest	0	0	3,914	0	3,914	0
Net Increase (Decrease) in Cash and Cash Equivalents	268,263	(30,483)	(64,922)	(59,879)	112,979	24,329
Cash and Cash Equivalents Beginning of Year	<u>1,725,062</u>	<u>1,769,192</u>	<u>8,469,661</u>	<u>1,160,504</u>	<u>13,124,419</u>	<u>42,548</u>
Cash and Cash Equivalents End of Year	<u>\$1,993,325</u>	<u>\$1,738,709</u>	<u>\$8,404,739</u>	<u>\$1,100,625</u>	<u>\$13,237,398</u>	<u>\$66,877</u>

(continued)

CITY OF GALION
CRAWFORD COUNTY

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009
(continued)**

	Business-Type Activities				Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Storm Water		Internal Service Fund
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>						
Operating Income	\$271,460	\$443,501	\$1,303,125	\$167,229	\$2,185,315	\$22,886
<u>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</u>						
Allowance for Uncollectibles	(22,678)	33,256	227,100	10,814	248,492	0
Depreciation	353,885	214,906	190,387	63,411	822,589	0
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	170,489	(30,771)	(235,266)	(9,968)	(105,516)	0
Increase in Excise Taxes Receivable	0	0	(378)	0	(378)	0
Decrease in Interfund Receivable	0	0	1,238	0	1,238	0
Increase in Prepaid Items	(23)	(176)	(258)	(85)	(542)	0
Decrease in Materials and Supplies Inventory	4,958	758	0	0	5,716	0
Increase in Special Assessments Receivable	(46)	(76)	0	0	(122)	0
Increase in Accrued Wages Payable	544	2,091	1,802	2,104	6,541	0
Increase (Decrease) in Accounts Payable	(29,060)	(14,443)	166,892	(2,200)	121,189	0
Increase (Decrease) in Contracts Payable	3,011	(539,118)	(33,139)	(25,353)	(594,599)	0
Increase (Decrease) in Due to Other Governments	(3,241)	(399)	1,112	313	(2,215)	0
Decrease in Retainage Payable	(6,000)	(2,831)	(3,058)	(46,030)	(57,919)	0
Increase in Compensated Absences Payable	14,552	47,035	827	15,211	77,625	0
Increase (Decrease) in Interfund Payable	3,767	5,814	(12,604)	3,049	26	0
Decrease in AMP Ohio Payable	0	0	(121,808)	0	(121,808)	0
Increase in Deposits Held and Due to Others	2,539	2,615	3,365	0	8,519	0
Increase in Claims Payable	0	0	0	0	0	1,443
Net Cash Provided by Operating Activities	<u>\$764,157</u>	<u>\$162,162</u>	<u>\$1,489,337</u>	<u>\$178,495</u>	<u>\$2,594,151</u>	<u>\$24,329</u>

Non-Cash Capital Transactions

In 2009, the Water enterprise fund purchased capital assets and donated them to governmental funds, in the amount of \$788.

In 2009, the Sewer enterprise fund, purchased capital assets and donated them to governmental funds, in the amount of \$394.

In 2009, the Electric enterprise fund purchased capital assets and donated them to governmental funds, in the amount of \$1,181.

See Accompanying Notes to the Basic Financial Statements

CITY OF GALION
CRAWFORD COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2009

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$11,865</u>
<u>Liabilities</u>	
Undistributed Assets	<u>\$11,865</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

A. The City

The City of Galion (City) is a charter municipal corporation founded in 1842, with the charter adopted by the electors on January 1, 1986. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws in Ohio.

The City operates under a council and full-time city manager form of government. 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 City Council through the budgetary process and by the City Manager through administrative and managerial 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 for which the City approves the budget, the issuance of debt, or the levying of taxes.

Discretely Presented Component Unit

The component unit column on the financial statements identifies the financial data of the City's component unit, the Egbert M. Freese Foundation. It is reported separately to emphasize that it is legally separate from the City. Information about this component unit is presented in Note 21 to the basic financial statements.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 2009, the City received \$335,583 from the Foundation. The Foundation is a component unit of the City since the nature and significance of the Foundation's relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. 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.

The City of Galion participates in two joint ventures, a jointly governed organization, and a related organization. These organizations are the Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Galion/Polk Township Community Improvement Corporation, and the Galion Public Library. These organizations are presented in Notes 22, 23, and 24 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. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. 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 assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

The statement of net assets 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 activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets 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. The internal service fund is presented in a single column on the proprietary fund financial statements. Fiduciary funds are reported by type.

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 three categories; governmental, proprietary, and fiduciary.

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 is reported as fund balance.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Urban Paving Project Fund - The Urban Paving Project capital projects fund accounts for federal and state grants for resurfacing state routes within the City.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City reports two types of proprietary funds, enterprise and internal service:

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.

Internal Service - The internal service fund accounts for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The City's internal service fund accounts for the activities of the self insurance program for employee dental and vision benefits.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications; pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2009. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for transient fees collected for use by a convention and visitors bureau.

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 assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

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 proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The statement of cash flows reflects how the City finances and meets the cash flow needs of its proprietary 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; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2009, but were levied to finance 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

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.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Finance Director. 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 final amended certificate of estimated resources requested by the City prior to year end.

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, except cash held by fiscal agents, 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".

Cash and cash equivalents held for the City by the Bank of New York, who services the City's local government fund debt, and by AMP-Ohio are included on the financial statements as "Cash and Cash Equivalents with Fiscal Agent".

Cash and cash equivalents that are held separately for the City by escrow agents for the payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2009, the City invested in mutual funds. The mutual funds are reported at fair value, which is based on current share price.

Interest earnings are allocated to City funds according to State statutes, City charter, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2009 was \$14,200, which includes \$9,361 assigned from other City funds.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Restricted assets represent certain resources which are segregated from other resources of the City to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

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

Resources set aside in separate escrow accounts whose use is limited to the payment of retainage to contractors, are reported as restricted.

Utility deposits from customers are classified as restricted assets on the statement of fund net assets 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, 2009, 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.

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 assets 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 assets and in the respective funds.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market 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. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. 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	13-100 years	13-100 years
Improvements Other Than Buildings	25 years	50-100 years
Streets	10-40 years	N/A
Bridges	50 years	N/A
Water, Sewer, Electric, and Storm Water Lines	N/A	50 years
Equipment	5-20 years	10-50 years
Vehicles	5-30 years	10-15 years

K. Interfund Receivables/Payables

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 assets except for any net residual amounts due between governmental and business-type activities. These amounts are reflected as "Internal Balances".

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.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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. General obligation bonds, OPWC loans, and the police and fire pension liability are recognized as liabilities on the fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their 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 assets restricted for other purposes include resources restricted for maintenance and repair of streets and highways, recreation, police and fire department activities, and airport facilities. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for unclaimed monies, future debt service, notes receivable, and encumbrances.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, electric, and storm water services, as well as premiums charged to various funds for insurance. 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 of capital assets from other funds and other governments.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

For 2009, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards", Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in the economic resources measurement focus financial statements. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements and the framework for selecting those principles. The implementation of this statement did not result in any changes to the financial statements.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' (AICPA) auditing literature into the GASB's accounting and financial reporting literature. This guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and the participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any changes to the financial statements.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2009, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Fund	
Street Maintenance	\$1,097,744
Urban Paving Project	496,650
Nonmajor Special Revenue Funds	
FAA Grant	4,370
Police Pension	20,862
Fire Pension	28,192
Nonmajor Debt Service Fund	
Cheshire Special Assessment	71,806

The deficit fund balances resulted from adjustments for accrued liabilities. In addition, the Street Maintenance special revenue fund had expenditures in excess of revenues for a number of previous years contributing to the current deficit. 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
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

B. Compliance

The City's budgetary activity has amounts that ordinarily would result in noncompliance citations under Ohio Revised Code Chapter 5705. However, because the City is in fiscal emergency, its financial operations fall under the guidelines of Chapter 118. Therefore, citations related to Chapter 5705 are presented only for items not affected by Chapter 118.

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 special revenue fund 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 as a reservation of fund balance (GAAP basis).

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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
GAAP Basis	\$1,092,989	(\$306,132)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2008, Received in Cash 2009	620,307	112,747
Accrued 2009, Not Yet Received in Cash	(659,828)	(121,634)
Expenditure Accruals:		
Accrued 2008, Paid in Cash 2009	(144,710)	(110,440)
Accrued 2009, Not Yet Paid in Cash	148,472	129,111
Cash Accruals:		
Unrecorded Activity 2008	1,546	0
Unrecorded Activity 2009	(1,598)	0
Prepaid Items	918	0
Note Principal Retirement	(98,000)	0
Notes Issued	110,400	0
Encumbrances Outstanding at Year End (Budget Basis)	(137,929)	0
Budget Basis	\$932,567	(\$296,348)

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

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

Inactive deposits are public deposits that 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.

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.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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, by surety company bonds deposited with the Finance Director by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the 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, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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. An investment must mature within five years from the date of purchase, 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 Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$14,729,000 of the City's bank balance of \$17,563,166 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured

Investments

As of December 31, 2009, the City's investments consisted of mutual funds, with a fair value of \$81,865 and an average maturity of 57 days. The mutual funds carry a credit rating of Aaa from Moody's. The City has no investment policy dealing with credit risk beyond the requirements of State Statute. Ohio law requires that mutual funds in eligible securities be rated in the highest category at the time of purchase by at least one nationally recognized standard of rating service.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2009, consisted of accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; excise taxes; interfund; property taxes; notes, and special assessments. All receivables are considered collectible in full and within one year, except for municipal income taxes, property taxes, notes, special assessments, and the allowance for uncollectibles related to utility services. 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 \$580,401, will not be received within one year. Special assessments, in the amount of \$424,645, will not be received within one year. There were delinquent special assessments, in the amount of \$611, at December 31, 2009.

A summary of accounts receivable related to utility services is as follows:

	Water	Sewer	Electric	Storm Water	Total Enterprise Funds
Accounts Receivable	\$480,891	\$410,872	\$3,024,012	\$106,709	\$4,022,484
Less Allowance for Uncollectibles	(115,100)	(113,796)	(740,429)	(33,287)	(1,002,612)
Net Accounts Receivable	<u>\$365,791</u>	<u>\$297,076</u>	<u>\$2,283,583</u>	<u>\$73,422</u>	<u>\$3,019,872</u>

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 7 - RECEIVABLES (continued)

Notes receivable represent low interest loans for development projects granted to eligible City businesses under the Federal Community Development Block Grant. The notes have an annual interest rate of 3 to 4 percent and are paid over a period of 5 to 15 years.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$29,457
Personal Property Phase-Out	6,727
Local Government	179,905
Beer and Liquor Permits	109
Cigarette Taxes	286
Estate Taxes	47,235
Fines and Forfeitures	1,043
Victims of Crime	11,845
Immunization Action Plan	806
Total General Fund	277,413
Urban Paving Project	
Urban Paving Grant	254,242
Total Major Funds	531,655
Nonmajor Funds	
OVI Enforcement	
Fines	52
Street Maintenance	
Gasoline Tax	171,795
Motor Vehicle License Tax	36,002
Total Street Maintenance	207,797
State Highway	
Gasoline Tax	13,930
Motor Vehicle License Tax	2,919
Total State Highway	16,849
FAA	
FAA Grant	4,370
Police Pension	
Homestead and Rollback	2,693
Personal Property Phase-Out	612
Total Police Pension	3,305
Fire Pension	
Homestead and Rollback	2,693
Personal Property Phase-Out	612
Total Fire Pension	3,305
General Bond Retirement	
Homestead and Rollback	1,167
Total Nonmajor Funds	236,845
Total Governmental Activities	\$768,500

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

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 increased 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.

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, 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.

Public utility property tax revenues received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2007, were levied after October 1, 2008, 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.

Tangible personal property tax revenues received in 2009 (other than public utility property) represent the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 9 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2009, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while the remainder has been deferred.

The full tax rate for all City operations for the year ended December 31, 2009, was \$3.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural	\$563,430
Residential	102,018,440
Commercial	24,185,150
Industrial	7,951,870
Public Utility Property	
Real	37,940
Personal	661,320
Tangible Personal Property	304,620
Total Assessed Value	\$135,722,770

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,485,816	\$0	\$0	\$3,485,816
Construction in Progress	1,256,098	1,638,099	(2,592,445)	301,752
Total Nondepreciable Capital Assets	4,741,914	1,638,099	(2,592,445)	3,787,568
Depreciable Capital Assets				
Buildings	977,895	72,667	0	1,050,562
Improvements Other Than Buildings	1,011,080	0	0	1,011,080
Streets	18,654,491	2,826,346	0	21,480,837
Bridges	1,236,330	0	0	1,236,330
Equipment	560,730	75,232	0	635,962
Vehicles	2,064,463	189,338	(574,247)	1,679,554
Total Depreciable Capital Assets	24,504,989	3,163,583	(574,247)	27,094,325

(continued)

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 10 - CAPITAL ASSETS (continued)

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
Less Accumulated Depreciation for				
Buildings	(\$359,255)	(\$26,871)	\$0	(\$386,126)
Improvements Other Than Buildings	(27,576)	(47,716)	0	(75,292)
Streets	(11,404,049)	(754,887)	0	(12,158,936)
Bridges	(499,543)	(24,727)	0	(524,270)
Equipment	(295,467)	(38,831)	0	(334,298)
Vehicles	(1,000,073)	(94,311)	342,353	(752,031)
Total Accumulated Depreciation	<u>(13,585,963)</u>	<u>(987,343)</u>	<u>342,353</u>	<u>(14,230,953)</u>
Total Depreciable Capital Assets, Net	<u>10,919,026</u>	<u>2,176,240</u>	<u>(231,894)</u>	<u>12,863,372</u>
Governmental Activities Capital Assets, Net	<u>\$15,660,940</u>	<u>\$3,814,339</u>	<u>(\$2,824,339)</u>	<u>\$16,650,940</u>

During 2009, governmental funds accepted contributions of capital assets from business-type activities, in the amount of \$2,363.

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$2,169,744	\$0	\$0	\$2,169,744
Construction in Progress	2,753,452	3,966,270	(2,075,626)	4,644,096
Total Nondepreciable Capital Assets	<u>4,923,196</u>	<u>3,966,270</u>	<u>(2,075,626)</u>	<u>6,813,840</u>
Depreciable Capital Assets				
Buildings	13,063,411	620,847	0	13,684,258
Improvements Other Than Buildings	6,478,200	1,133,487	(374,000)	7,237,687
Water, Sewer, Electric, and Storm Water Lines	9,503,341	0	0	9,503,341
Equipment	2,568,762	708,678	(2,363)	3,275,077
Vehicles	1,248,662	17,608	0	1,266,270
Total Depreciable Capital Assets	<u>32,862,376</u>	<u>2,480,620</u>	<u>(376,363)</u>	<u>34,966,633</u>
Less Accumulated Depreciation for				
Buildings	(7,275,639)	(357,313)	0	(7,632,952)
Improvements Other Than Buildings	(1,832,950)	(106,001)	104,720	(1,834,231)
Water, Sewer, Electric, and Storm Water Lines	(2,877,234)	(181,983)	0	(3,059,217)
Equipment	(1,295,549)	(98,195)	0	(1,393,744)
Vehicles	(711,006)	(79,097)	0	(790,103)
Total Accumulated Depreciation	<u>(13,992,378)</u>	<u>(822,589)</u>	<u>104,720</u>	<u>(14,710,247)</u>
Total Depreciable Capital Assets, Net	<u>18,869,998</u>	<u>1,658,031</u>	<u>(271,643)</u>	<u>20,256,386</u>
Business-Type Activities Capital Assets, Net	<u>\$23,793,194</u>	<u>\$5,624,301</u>	<u>(\$2,347,269)</u>	<u>\$27,070,226</u>

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$30,606
Security of Persons and Property - Fire	44,588
Public Health	2,331
Leisure Time Activities	53,224
Transportation	850,665
General Government	5,929
Total Depreciation Expense - Governmental Activities	\$987,343

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2009, the General Fund had an interfund receivable, in the amount of \$1,676,903; \$1,167,260 from the Street Maintenance special revenue fund and \$71,806 from other governmental funds to alleviate deficit cash balances, and \$114,015 from the Water enterprise fund, \$126,420 from the Sewer enterprise fund, \$172,721 from the Electric enterprise fund, and \$24,681 from the Storm Water enterprise fund for services provided to those funds.

NOTE 12 - 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. During 2009, the City contracted with U. S. Specialty Insurance Company for the following insurance coverage:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$13,889,976	\$1,000
Flood/Earthquake	500,000	50,000
General Liability		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0
Employee Benefits Liability		
Each Employee Limit	1,000,000	1,000
Aggregate	3,000,000	1,000
Stop Gap Liability	1,000,000	0
Public Officials Liability	1,000,000	1,000
Law Enforcement Liability	1,000,000	5,000
Automobile Liability	1,000,000	5,000
Commercial Umbrella	5,000,000	10,000
Crime Coverage	250,000	500

There has been no significant reduction in insurance coverage from 2008, and no insurance settlement has exceeded insurance coverage during the last three years.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 12 - RISK MANAGEMENT (continued)

The City offers dental and vision insurance to all employees through a self-insured program. All funds of the City participate in the program and make payments to the Self Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current year claims. Settled claims have not exceeded this commercial coverage in the last three years.

Claims payable is based on the requirements of Governmental Accounting Standards Board Statement No. 30, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The changes in the claims liability for 2009 and 2008 were as follows:

Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2009	\$3,638	\$66,015	\$64,572	\$5,081
2008	\$72,031	\$119,032	\$187,425	\$3,638

In prior years, the City was also self-insured for employee medical insurance. In 2009, the City obtained this insurance through a commercial insurance provider.

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2009:

Vendor	Contract Amount	Amount Paid as of 12/31/09	Outstanding Balance
Gledhill Road Machinery Inc.	\$44,047	\$0	\$44,047
Miami Valley International Trucks	64,024	0	64,024
Burgess and Niple	195,000	165,961	29,039
Burgess and Niple	186,100	62,302	123,798
Kirk Brothers	3,102,846	2,570,689	532,157
North Bay	185,900	157,347	28,553

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs, and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll, public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2009 was 14 percent of covered payroll. For 2009, a portion of the City's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment health care plan from January 1 through March 31 and 5.5 percent was allocated from April 1 through December 31. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14 percent.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 was \$415,217, \$382,437, and \$209,162, respectively; 86 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the member-directed plan for 2009 were \$4,465 made by the City and \$3,189 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan. 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 stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. Contribution rates are established by State statute. For 2009, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment health care plan. The City's required contribution for pension obligations for police and firefighters for the year ended December 31, 2009, was \$158,480 and \$210,053, for the year ended December 31, 2008, was \$155,344 and \$212,068, and for the year ended December 31, 2007, was \$78,980 and \$125,914. For 2009, 84 percent has been contributed for both police and firefighters. The full amount has been contributed for 2008 and 2007.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

To qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The amount of the employer contributions which was allocated to fund postemployment health care was 7 percent of covered payroll from January 1 through March 31, 2009, and 5.5 percent of covered payroll for the remainder of the year.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2009, 2008, and 2007 was \$160,653, \$185,707, and \$137,771, respectively; 86 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

B. Ohio Police and Fire Pension Fund

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

OPF provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit, or is a spouse or eligible dependent child of such person.

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

OPF issues a stand-alone financial report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - OPF's postemployment healthcare plan was established and is administered as an IRS Code Section 115 trust for health care benefits and Internal Revenue Code 401(h) account for Medicare Part B reimbursements, both within the defined benefit pension plan under the authority granted by the Ohio Revised Code to the OPF Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OPF. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 115 trust for health care benefits and Internal Revenue Code 401(h) account for retiree healthcare benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of section 115 and 401(h).

The OPF Board of Trustees is also authorized to establish requirements for contributions to the healthcare 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. Active members do not make contributions to the OPEB Plan.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters for the year ended December 31, 2009, was \$50,341 and \$55,062, for the year ended December 31, 2008, was \$46,091 and \$52,531, and for the year ended December 31, 2007, was \$41,813 and \$49,271. For 2009, 84 percent has been contributed for both police and firefighters. The full amount has been contributed for 2008 and 2007.

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Health Care Benefits

The City offers employee health benefits through Medical Mutual of Ohio. 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. All employees, except those in the firefighters union, with three or more years of full-time service with the City, who elect to retire, are entitled to receive two-thirds of the value of their accumulated unused sick leave. Members of the firefighters union with five or more years of full-time service with the City, who elect to retire, 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.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 17 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2009, were as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009
<u>Governmental Activities</u>					
<u>Revenue Anticipation Notes</u>					
General Fund					
2005 Local Government Fund	5.875%	\$555,000	\$0	\$98,000	\$457,000
<u>General Obligation Bond Anticipation Notes</u>					
General Fund					
2009 City Annex Building Improvement	4.00	0	110,400	0	110,400
Special Revenue Fund					
2008 Street Improvement	6.50	550,000	0	550,000	0
2009 Street Improvement	4.00	0	495,000	0	495,000
Total Governmental Activities		<u>\$1,105,000</u>	<u>\$605,400</u>	<u>\$648,000</u>	<u>\$1,062,400</u>
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Enterprise Funds					
2009 Wastewater System	4.00%	\$0	\$136,500	\$0	\$136,500
2008 Storm System Improvement	6.50	431,000	0	431,000	0
2009 Storm System Improvement	4.00	0	287,000	0	287,000
Total Business-Type Activities		<u>\$431,000</u>	<u>\$423,500</u>	<u>\$431,000</u>	<u>\$423,500</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 revenue anticipation notes, in the original amount of \$818,000, were issued on July 28, 2005, in accordance with Ohio Revised Code Section 118.17 (fiscal emergency provision) because the City did not have sufficient cash to cover fund deficits. The final payment on the notes will be made on June 1, 2013.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 17 - NOTES PAYABLE (continued)

The bond anticipation notes in the General Fund, in the amount of \$110,400, were issued on October 29, 2009, to acquire a new heating and air conditioning system for the City Annex Building. The notes mature on October 29, 2010. As of December 31, 2009, the City had unspent proceeds, in the amount of \$96,090.

The bond anticipation notes in the special revenue fund, in the amount of \$495,000, were issued on October 29, 2009, to partially retire notes previously issued to pay the cost of improving, in cooperation with ODOT, State Routes 19, 61, 97, and 598. The notes mature on October 29, 2010.

The bond anticipation notes in the enterprise fund, in the amount of \$136,500, were issued on October 29, 2009, to improve sanitary sewer lines. The notes mature on October 29, 2010. As of December 31, 2009, none of the proceeds had been spent.

The bond anticipation notes in the enterprise fund, in the amount of \$287,000, were issued on October 29, 2009, to partially retire notes previously issued to pay the costs of improving the storm water system. The notes mature on October 29, 2010.

The following is a summary of the City's principal and interest requirements to retire the Local Government Fund notes.

Year	Revenue Anticipation Notes	
	Principal	Interest
2010	\$104,000	\$26,849
2011	111,000	20,739
2012	117,000	14,217
2013	125,000	7,344
	<u>\$457,000</u>	<u>\$69,149</u>

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2009, was as follows:

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1990 Library (Original Amount \$800,000)	7.25- 7.75%	\$145,000	\$0	\$70,000	\$75,000	\$75,000
2004 Various Purpose (Original Amount \$3,500,000)	5.00	2,100,000	0	350,000	1,750,000	350,000
2006 Street Equipment Acquisition (Original Amount \$169,980)	4.25	102,000	0	34,000	68,000	34,000
2007 Vehicle Acquisition (Original Amount \$62,295)	5.97	32,070	0	15,570	16,500	16,500
Total General Obligation Bonds		<u>2,379,070</u>	<u>0</u>	<u>469,570</u>	<u>1,909,500</u>	<u>475,500</u>
Other Long-Term Obligations						
OPWC Loans						
#CP02L	0.00	52,719	78,150	0	130,869	13,087
Police Pension Liability		26,546	0	558	25,988	582
Fire Pension Liability		100,621	0	2,116	98,505	2,207
Compensated Absences Payable		617,389	89,524	23,265	683,648	339,166
Total Other Long-Term Obligations		<u>797,275</u>	<u>167,674</u>	<u>25,939</u>	<u>939,010</u>	<u>355,042</u>
Total Governmental Activities		<u>\$3,176,345</u>	<u>\$167,674</u>	<u>\$495,509</u>	<u>\$2,848,510</u>	<u>\$830,542</u>
<u>Business-Type Activities</u>						
General Obligation Bonds						
2007 Electric Improvement (Original Amount \$8,952,000)	5.25%	\$8,651,000	\$0	\$420,000	\$8,231,000	\$443,000
Other Long-Term Obligations						
OPWC Loans						
Railroad Street Waterline (Original Amount \$71,104)	0.00	46,218	0	1,778	44,440	3,555
West End Waterline (Original Amount \$140,000)	0.00	108,500	0	3,500	105,000	7,000
Cherry Street Sewer (Original Amount \$541,829)	0.00	134,536	0	13,454	121,082	26,907
Total OPWC Loans		<u>289,254</u>	<u>0</u>	<u>18,732</u>	<u>270,522</u>	<u>37,462</u>

(continued)

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
OWDA Loans						
#2735 Raw Water Line (Original Amount \$480,881)	2.00%	\$279,522	\$0	\$19,041	\$260,481	\$19,421
#3508 Water Treatment (Original Amount \$3,924,637)	2.00	3,261,029	0	109,929	3,151,100	112,139
#4088 Cheshire Subdivision (Original Amount \$983,863)	3.98	843,804	0	38,602	805,202	40,154
#4089 Sewer System Improvement (Original Amount \$1,600,253)	3.98	1,629,524	0	34,509	1,595,015	35,896
#4090 Cheshire (Original Amount \$1,232,112)	3.98	1,163,746	0	24,644	1,139,102	25,636
#4091 Water System Improvement (Original Amount \$2,218,464)	3.98	2,095,368	0	44,374	2,050,994	46,158
#4732 WWTP Bio-Solids (Original Amount \$81,117)	3.20	448,667	2,071,682	0	2,520,349	0
#4873 Water Tank Rehabilitation (Original Amount \$337,047)	4.61	337,047	344,027	29,214	651,860	0
#5176 WWTP Improvement Design (Original Amount \$85,355)	3.20	0	85,355	0	85,355	0
Total OWDA Loans		10,058,707	2,501,064	300,313	12,259,458	279,404
Capital Leases Payable		92,033	0	29,208	62,825	30,654
AMP Ohio Payable - JV 2		1,952,776	0	121,808	1,830,968	127,831
Compensated Absences Payable		509,913	96,505	18,880	587,538	171,468
Total Business-Type Activities		\$21,553,683	\$2,597,569	\$908,941	\$23,242,311	\$1,089,819

1990 Library General Obligation Bonds

On September 1, 1990, the City issued \$800,000 in voted general obligation bonds for improvements to the Galion Public Library. The bonds are being retired from the Library debt service fund with a voted property tax levy. The bonds will fully mature on December 1, 2010.

2004 Various Purpose General Obligation Bonds

On December 15, 2004, the City issued \$3,500,000 in unvoted general obligation bonds to pay for improvements to the airport, to the fire and safety system, for parks and recreation improvements, and for street improvements. The bonds are partially secured by pledged revenues from the Egbert M. Freese Foundation to be received annually over the life of the bond issue. Any principal and interest payments due that exceed the annual amounts received from the Foundation will be paid with transfers from the General Fund. The bonds are being retired from the Freese debt service fund. The bonds will mature on December 1, 2014.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

2006 Street Equipment Acquisition General Obligation Bonds

On May 23, 2006, the City issued \$169,980 in unvoted general obligation bonds to pay the costs of acquiring two dump trucks equipped with plows. The bonds are being retired from the Street Maintenance special revenue fund. The bonds will mature on December 1, 2011.

2007 Vehicle Acquisition General Obligation Bonds

On May 24, 2007, the City issued \$62,295 in unvoted general obligation bonds to pay the costs of acquiring three police cruisers. The bonds are being retired from the General Fund. The bonds will mature on December 1, 2010.

Electric Improvement General Obligation Bonds

On December 21, 2007, the City issued \$8,952,000 in unvoted general obligation bonds 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, 2009, the City had unspent proceeds, in the amount of \$3,079,301.

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 special revenue fund and the Water and Sewer enterprise funds to the extent resources are available.

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 (on completed projects for which amortization schedules are available) is \$13,028,227. Principal and interest paid in the Water and Sewer enterprise funds for the current year were \$410,248 and \$139,514, respectively. Total net revenues for the Water and Sewer enterprise funds were \$625,345 and \$658,407, respectively.

Police and Fire Pension 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.

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, Recreation, and Airport special revenue funds, and the Water, Sewer, Electric, and Storm Water enterprise funds.

Capital Leases Payable

Capital lease obligations will be paid from the fund that maintains custody of the related assets.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

AMP Ohio Payable - JV2

The City is a participant, with thirty-six other subdivisions within the State of Ohio, in the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), a joint venture to provide supplemental reserve electric power to the participants on a cooperative basis. During 2001, AMP-Ohio issued bonds, in the amount of \$50,260,000, to acquire capital assets for JV2. Under a financing agreement between the participants of JV2 and AMP-Ohio, the participants have agreed to pay the debt service requirements of the bonds.

These bonds will be paid solely from the gross revenues of the City's Electric enterprise fund after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the bonds is \$2,410,750. Principal and interest paid for the current year and total net revenues were \$210,288 and \$1,493,512, respectively.

The City's legal debt margin was \$11,804,722 at December 31, 2009.

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

	Governmental Activities				
	General Obligation Bonds		Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2010	\$475,500	\$97,188	\$2,789	\$5,262	\$13,087
2011	384,000	71,445	2,910	5,141	13,087
2012	350,000	52,644	3,034	5,017	13,087
2013	350,000	35,000	3,165	4,887	13,087
2014	350,000	17,500	3,302	4,750	13,087
2015-2019	0	0	18,756	21,501	65,434
2020-2024	0	0	23,144	17,112	0
2025-2029	0	0	28,561	11,696	0
2030-2034	0	0	35,247	4,886	0
2035	0	0	3,585	201	0
	\$1,909,500	\$273,777	\$124,493	\$80,453	130,869

The WWTP Bio-Solids, water tank rehabilitation, and WWTP improvement design projects funded by OWDA loans have not been completed. An amortization schedule for the repayment of the loans will not be available until the projects are completed and, therefore, are not included in the following schedule.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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

Year	Business-Type Activities			
	General Obligation Bonds		OPWC Loans	
	Principal	Interest	Principal	
2010	\$443,000	\$423,517	\$37,462	
2011	466,000	399,801	37,462	
2012	491,000	374,850	37,462	
2013	517,000	348,561	37,462	
2014	546,000	320,854	24,009	
2015-2019	3,196,000	1,133,843	52,778	
2020-2023	2,572,000	242,471	43,887	
	\$8,231,000	\$3,243,897	\$270,522	

Year	OWDA Loans		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2010	\$279,404	\$288,713	\$127,831	\$91,261
2011	287,989	280,128	134,674	84,550
2012	296,866	271,251	141,791	77,479
2013	306,044	262,073	149,182	70,036
2014	315,538	252,579	156,846	62,203
2015-2019	1,731,902	1,108,683	911,515	184,319
2020-2024	1,948,068	818,623	209,129	9,934
2025-2029	1,840,565	520,835	0	0
2030-2034	1,707,079	214,813	0	0
2035	288,439	8,635	0	0
	\$9,001,894	\$4,026,333	\$1,830,968	\$579,782

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2009 were \$29,208 in the enterprise funds.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 19 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

	Business-Type Activities
Depreciable Capital Assets	
Equipment	\$146,381
Less Accumulated Depreciation for	
Equipment	(29,277)
Total	\$117,104

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2008.

Year	Business-Type Activities	
	Principal	Interest
2010	\$30,654	\$3,110
2011	32,171	1,592
	\$62,825	\$4,702

NOTE 20 - INTERFUND TRANSFERS

During 2009, the General Fund made transfers to other governmental funds, in the amount of \$940,076; \$820,659 to subsidize various programs in other funds and \$119,417 to move receipts as debt payments came due.

Other governmental funds made transfers to the Urban Paving Project capital projects fund, in the amount of \$90,055, to move receipts as debt payments came due.

Other governmental funds made transfers to the Water and Sewer enterprise funds, in the amount of \$27,287 and \$44,520, to move receipts as debt payments became due.

The Water enterprise fund made transfers to other governmental funds, in the amount of \$28,114, to move receipts as debt payments came due.

The Sewer enterprise fund made transfers to other governmental funds, in the amount of \$45,871, to move receipts as debt payments came due.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 21 - 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 appointed by City Council. 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).

The Foundation does not prepare financial statements. The Foundation's resources are invested in various securities as determined by the Board of Trustees. As of December 31, 2009, the Foundation's investments consisted of the following:

	<u>Fair Value</u>
Equities	\$6,259,928
Fixed Income	2,350,497
Cash Equivalents	<u>530,567</u>
	<u>\$9,140,992</u>

NOTE 22 - JOINT VENTURES

A. Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1)

The City is a participant, with twenty other subdivisions within the State of Ohio, in a joint venture to provide electric power to its participants on a cooperative basis, the Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1). The electric generating facilities of JV1, known as the Engle Units, are located in the City of Cuyahoga Falls. Title to these six diesel-powered generating units was transferred to the twenty-one municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a non-profit trade association and wholesale power supplier for most of Ohio's eighty-five municipal electric systems. JV1 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated, by agreement, to remit on a monthly basis those costs incurred from using electric generated by the joint venture. In accordance with the joint venture agreement, the City remitted \$9,524 to the joint venture in 2009 for electricity. JV1 does not have any debt outstanding. In the event of a shortfall, the Joint Venture participants are billed for their respective shares of the estimated shortfall.

The City's net investment in JV1 was \$31,776 at December 31, 2009. Complete financial statements for JV1 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 22 - JOINT VENTURES (continued)

B. Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2)

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.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2009, the City met its debt coverage obligation.

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 assets 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. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. The City's net obligation for these bonds at December 31, 2009, was \$1,830,968 (including amounts held in the bond fund, previous billings to members, interest payable, and debt service paid and collected). 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 \$1,479,208 at December 31, 2009. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

NOTE 23 - JOINTLY GOVERNED ORGANIZATION

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.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 23 - JOINTLY GOVERNED ORGANIZATION (continued)

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, 106 Harding Way East, Galion, Ohio 44833.

NOTE 24 - RELATED ORGANIZATION

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 City Council. 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 North Market Street, Galion, Ohio 44833.

NOTE 25 - FISCAL EMERGENCY

On August 9, 2004, the Auditor of State declared the City of Galion to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is comprised of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the city manager, the president of city council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria.

In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The City adopted its initial financial recovery plan in March 2005. This plan was subsequently updated in December 2005, April 2007, April 2008, and December 2009.

The more significant steps taken by the City to alleviate the fiscal emergency conditions include staff reductions, spending cuts, an additional .5 percent income tax for police and fire operations, increased utility rates for electric, water, and sewer, and local government fund borrowing (a provision of Section 118.07 of the Ohio Revised Code). As of December 31, 2009, the City was still in fiscal emergency and has not determined when this situation will be resolved.

For 2006, 2007, 2008, and 2009 the City was able to prepare a budget in which current year expenditures/ expenses were within current year revenues; however, a number of funds continue to carry deficit fund balances/net assets due to carryover deficits.

NOTE 26 - CONTINGENT LIABILITIES

A. Litigation

There are currently no matters in litigation with the City as defendant.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

NOTE 26 – CONTINGENT LIABILITIES (continued)

B. Federal and State Grants

For the period January 1, 2009, to December 31, 2009, 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.

**CITY OF GALION
CRAWFORD COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grants/State's Programs (Downtown Grant)	A-C-07-124-1	14.228	\$101,603
Community Development Block Grants/State's Programs (Revolving Loan)	A-E-05-124-1	14.228	198
Community Development Block Grants/State's Programs (Formula Grant)	A-F-06-124-1	14.228	53,000
Total Community Development Block Grants/State's Programs			<u>154,801</u>
HOME Investment Partnerships Program	A-C-07-124-2	14.239	<u>189,246</u>
Total U.S. Department of Housing and Urban Development			<u>344,047</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	N/A	16.804	<u>18,302</u>
<i>Passed Through Ohio Attorney General's Office</i>			
Crime Victim Assistance	2010VAGENE469	16.575	2,645
Crime Victim Assistance	2009VAGENE469	16.575	10,769
Total Crime Victim Assistance			<u>13,414</u>
Total U.S. Department of Justice			<u>31,716</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Congressionally Mandated Projects	N/A	66.202	<u>709,091</u>
Total U.S. Environmental Protection Agency			<u>709,091</u>
Total			<u><u>\$1,084,854</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City, passed through the Ohio Department of Development. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$719,946
Loans made	0
Loan principal repaid on loans issued prior to 2009	<u>(69,095)</u>
Ending loans receivable balance as of December 31, 2009	650,851
Cash balance on hand in the revolving loan fund as of December 31, 2009	337,154
Administrative costs expended during 2009	<u>198</u>
Total value of RLF portion of the CDBG 14.228 program	988,203
Other grants administered through the 14.228 program	<u>154,603</u>
Total CDBG 14.228 program	<u>\$1,142,806</u>

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, Ohio (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 1, 2010, wherein we noted the City was placed in fiscal emergency by the State of Ohio pursuant to Ohio Revised Code Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B). A fiscal emergency commission was appointed to oversee the financial affairs of the City and, as required by Ohio Revised Code §118.05(G), the Auditor of State served as the City's financial supervisor. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the City because the Auditor of State may assume broad management powers, duties, and functions under Ohio Revised Code §118.04. Furthermore, we noted the financial statements of the Freese Foundation Component Unit, the City's discretely presented component unit, have not been audited. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

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

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 1, 2010.

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, pass-through entities, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 1, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Compliance

We have audited the compliance of the City of Galion, Crawford County, Ohio (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Galion, Crawford County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists these instances as Findings 2009-002 and 2009-003.

Internal Control over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2009-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2009-002 to be a significant deficiency.

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

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 1, 2010

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #66.202 – Congressionally Mandated Projects
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

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

Finding Number	2009-001
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**Material Weakness / Material Non-Compliance
Reporting Entity**

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) establishes those standards of accounting and financial reporting for state and local governmental entities. Standards set by GASB guide the preparation of external financial reports for those entities.

GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, establish standards for defining and reporting on the financial reporting entity. As defined by these statements, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Egbert M. Freese Foundation (the Foundation) is a legally separate not-for-profit organization. The Foundation was organized, and at all times shall be operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the City. Upon the dissolution of the Foundation, after payment of all the liabilities, all the assets of the Foundation shall be transferred to the City of Galion or its successor.

Despite the Foundation being an entity legally separate from the City, the Foundation is a component unit of the City for financial reporting purposes since the nature and significance of the Foundation's relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Accordingly, so that the City complies with the financial accounting and reporting standards of GASB, the Foundation's financial statement must be included on the City's annual financial statements. As a result, it is necessary for the Foundation to provide annual audited financial statements to the City for inclusion in the City's financial statements.

Currently, the Foundation does not have an annual audit performed. Reporting unaudited component unit financial information in the City's annual financial statements will result in a modified audit opinion on the City's financial statements and, as a result, may affect the evaluation of the City by external users of the financial statements. Such an opinion also precludes the City from achieving single audit low-risk status pursuant to OMB Circular A133, *Audits of States, Local Governments, and Non-Profit Organizations* (the Circular). The Circular requires auditing of the City's compliance with grant requirements if the City expends \$500,000 of federal financial assistance annually. Not-low-risk status would require a higher percentage of federal grant awards to be audited for compliance, and could possibly result in additional audit cost to the City.

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

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

Finding Number	2009-001 (Continued)
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**Material Weakness / Material Non-Compliance (Continued)
Reporting Entity (Continued)**

We recommend the City take appropriate measures to ensure the financial statements of its component unit are audited annually and included in the City's basic financial statements. The City should also ensure that such audited statements are obtained timely so that the City is able to comply with the annual financial reporting deadline established by Ohio Rev. Code Section 117.38.

Officials' Response

The City Manager and Finance Director will be contacting the Attorney General's Charitable Law section concerning the Freese Foundation's refusal to have an annual audit.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2009-002
CFDA Title and Number	Community Development Block Grants – State's Program, #14.228; HOME Investment Partnerships Program, #14.239; Crime Victim Assistance, #16.575; ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government, #16.804; Congressionally Mandated Projects, #66.202
Federal Award Number / Year	A-C-07-124-1; A-F-06-124-1; A-E-05-124-1; A-C-07-124-2; 2010VAGENE469; 2009VAGENE469; 2009-SB-B9-2395; XP-00E56201
Federal Agency	U.S. Department of Housing and Urban Development U.S. Department of Justice U.S. Environmental Protection Agency
Pass-Through Agency	Ohio Department of Development Ohio Attorney General's Office

**Significant Deficiency / Material Non-Compliance
Federal Awards Expenditure Schedule**

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, (the Circular), sets forth standards for the audit of non-Federal entities expending Federal awards. Section .300(a) of the Circular states the auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2009-002 (Continued)
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**Significant Deficiency / Material Non-Compliance (Continued)
Federal Awards Expenditure Schedule (Continued)**

Section .310(b) states, in part, the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For Research and Development, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule.

Section .320(a) of the Circular also requires the audit to be completed and the reporting package be filed within the earlier of 30 days after the receipt of the auditor's report(s), or 9 months after the end of the audit period, (which, for the County is September 30) unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

The original federal awards expenditure schedule prepared by the City for calendar year 2009 required the following modifications:

Grant	Expenditures Originally Reported	Expenditures after Adjustments
CFDA #14.228 – Community Development Block Grants/State's Program	53,198	154,801
CFDA #14.239 – Home Investment Partnerships Program	0	189,246
CFDA #16.575 – Crime Victim Assistance	16,135	13,414
CFDA #20.106 – Airport Improvement Program	23,757	0
CFDA #66.202 – Congressionally Mandated Projects	326,374	709,091

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2009-002 (Continued)
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**Significant Deficiency / Material Non-Compliance (Continued)
Federal Awards Expenditure Schedule (Continued)**

The City has made these adjustments to the federal awards expenditure schedule.

Failure to identify federal awards and accurately prepare a federal awards expenditure schedule may result in noncompliance with the Circular and may compromise the City’s ability to obtain federal awards in the future.

We recommend the City implement procedures to track and readily identify the receipt and disbursement of all federal awards. The City should use this information to ensure accurate preparation of the federal awards expenditure schedule at year end.

Officials’ Response and Corrective Action Plan

The Finance Department was not permanently and fully staffed until September 2010, the 2009 incumbents having departed in early February 2010. The current Finance Director started in April and the Deputy not until September. The federal awards expenditure schedule will be appropriately prepared for 2010. An excel spreadsheet will be maintained throughout the year to track and identify the receipt and disbursement of federal awards.

Contact person: Audrey Brodzinski, Finance Director

Finding Number	2009-003
CFDA Title and Number	Congressionally Mandated Projects, #66.202
Federal Award Number / Year	XP-00E56201
Federal Agency	U.S. Environmental Protection Agency
Pass-Through Agency	None

**Material Weakness / Material Non-Compliance
Reporting – Congressionally Mandated Projects**

The City received federal assistance from the U.S. Environmental Protection Agency in 2009 for its wastewater treatment plant improvement project. The U.S. Environmental Protection Agency Grant Agreement outlines the following federal financial, performance, and special reporting requirements:

Administrative Conditions – “Multi-Year Grant – Interim Financial Status Reports” subsection states an interim Financial Status Report (SF269) must be submitted annually within 90 days following the end of each 12-month period.

Administrative Conditions – “Unliquidated Obligations – Part 31 Recipients” subsection states pursuant to 40 CFR 31.41(b) and 31.50(b), EPA recipients shall submit a final Financial Status Report (SF269) within 90 days after the expiration of the budget period end date.

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2009
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2009-003 (Continued)
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**Material Weakness / Material Non-Compliance (Continued)
Reporting – Congressionally Mandated Projects (Continued)**

Administrative Conditions – “Federal Cash Transaction Report” subsection states the Federal Cash Transaction Report (SF 272) is due within 15 working days following December 31 of any given calendar year.

Programmatic Conditions – “Semi-Annual Reporting” subsection states semi-annual technical performance reports must be submitted within 30 days following the end of each six-month period. A final technical performance report must be submitted 90 days after the end of the budget and project periods.

Programmatic Conditions – “Environmental Results – Recipient Performance Reporting” subsection states in accordance with 40 CFR Section 31.40, the recipient agrees to submit performance reports that include brief information on each of the following areas: 1) a comparison of actual accomplishments to the outputs/outcomes established in the assistance agreement workplan for the period; 2) the reasons for slippage if established outputs/outcomes were not met; 3) additional pertinent information, including, when appropriate, analysis and information of cost overruns or high unit costs. In accordance with 40 CFR Section 31.40(d), the recipient agrees to inform EPA as soon as problems, delays or adverse conditions become known which will materially impair the ability to meet the outputs/outcomes specified in the assistance agreement work plan.

Administrative Conditions – “MBE/WBE Reporting” subsection states the recipient agrees to complete and submit EPA Form 5700-52A, “MBE/WBE Utilization Under Federal Grants, Cooperative Agreements and Interagency Agreements” beginning with the Federal fiscal year reporting period the recipient receives the award, and continuing until the project is completed. The reports must be submitted semiannually for the periods ending March 31st and September 30th. The reports are due within 30 days of the semiannual reporting periods (April 30th and October 30th). Final MBE/WBE reports must be submitted within the 90 days after the project period of the grant ends.

The City did not complete or submit the reports listed above as required by the U.S. Environmental Protection Agency Grant Agreement. Failure to meet federal reporting requirements may result in a loss or reduction of federal funding in future years.

We recommend the City complete all required financial, performance, and special reports as outlined in its federal grant agreements, and submit such reports to the applicable awarding agency.

Officials’ Response and Corrective Action Plan

As discussed in the response to Number 2009-02 above, the position Finance Director and Deputy Finance Director are filled with different personnel than during the 2009 financial year. In addition, the Water/Wastewater Superintendent in 2009 retired late in 2009. All current incumbents will be required to complete and submit the reports as outlined in the federal grant agreements and submit such reports to the applicable awarding agency in the future.

Contact person: Audrey Brodzinski, Finance Director

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Significant Deficiency / Material Non-Compliance / Material Weakness Reporting Entity	No	Not corrected – comment is being repeated as finding 2009-001.
2008-002	Material Non-Compliance Certification of Expenditures	No	Partially corrected – comment is being repeated in the current audit management letter.

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Mary Taylor, CPA
Auditor of State

CITY OF GALION

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 2, 2010**