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**CITY OF GALION
CRAWFORD COUNTY
Regular Audit
For the Year Ended December 31, 2014**

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Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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Members: American Institute of Certified Public Accountants

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the City of Galion, Crawford County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 14, 2015

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City of Galion
Crawford County
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INDEPENDENT AUDITOR'S REPORT

September 30, 2015

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, Ohio, as of December 31, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the General and Police and Fire Levy Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 24, 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 Section 118.05(G), the Auditor of State served as the City's financial supervisor. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

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CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
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, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2014 are as follows:

In total, the City's net position increased almost 6 percent from the prior year; 12 percent for governmental activities and less than 1 percent for business-type activities.

General revenues made up 60 percent of the total revenues for governmental activities in 2014, of which, 41 percent was provided through municipal income taxes, the most critical of the City's revenue sources.

USING THIS ANNUAL REPORT

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General Fund, the Police and Fire Levy special revenue fund, the State Route 598 Construction capital projects fund, and the Water, Sewer, Electric, and Storm Water enterprise funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2014. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

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

- **Governmental Activities** - Most of the City's programs and services are reported here, including security of persons and property, public health, leisure time activities, community environment, transportation, 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 State Route 598 Construction capital projects 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, 2014
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2014 and 2013.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Assets</u>						
Current and Other Assets	\$10,905,275	\$11,926,481	\$22,305,389	\$23,349,502	\$33,210,664	\$35,275,983
Capital Assets, Net	17,240,426	14,370,992	28,138,095	28,708,711	45,378,521	43,079,703
Total Assets	<u>28,145,701</u>	<u>26,297,473</u>	<u>50,443,484</u>	<u>52,058,213</u>	<u>78,589,185</u>	<u>78,355,686</u>
<u>Liabilities</u>						
Current and Other Liabilities	578,690	438,895	1,531,739	1,751,574	2,110,429	2,190,469
Long-Term Liabilities	1,106,048	2,179,515	20,489,359	21,963,034	21,595,407	24,142,549
Total Liabilities	<u>1,684,738</u>	<u>2,618,410</u>	<u>22,021,098</u>	<u>23,714,608</u>	<u>23,705,836</u>	<u>26,333,018</u>
<u>Deferred Inflows of Resources</u>	<u>360,102</u>	<u>359,695</u>	<u>0</u>	<u>0</u>	<u>360,102</u>	<u>359,695</u>
<u>Net Position</u>						
Net Investment in Capital Assets	16,883,081	13,072,880	12,270,606	11,425,768	29,153,687	24,498,648
Restricted	2,694,812	3,348,449	0	0	2,694,812	3,348,449
Unrestricted	6,522,968	6,898,039	16,151,780	16,917,837	22,674,748	23,815,876
Total Net Position	<u>\$26,100,861</u>	<u>\$23,319,368</u>	<u>\$28,422,386</u>	<u>\$28,343,605</u>	<u>\$54,523,247</u>	<u>\$51,662,973</u>

For governmental activities, there was a fairly sizable decrease in current and other assets (over \$1 million) and almost entirely related to a decrease in cash and cash equivalents; largely due to capital asset acquisitions and debt retirement. The City did not incur any new debt during 2014 and used existing resources to purchase capital assets and make annual debt payments. Note the increase in net capital assets, reduction in long-term obligations, and increase in the net investment in capital assets as a result.

There was a similar story for business-type activities as no new debt was incurred during 2014 and existing resources were used to acquire assets and retire debt as evidenced in the reduction in current and other assets (cash and cash equivalents), long-term obligations, and the increase in the net investment in capital assets. Note that net capital assets actually decreased due to annual depreciation expense.

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 2 reflects the change in net position for 2014 and 2013.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<u>Revenues</u>						
<u>Program Revenues</u>						
Charges for Services	\$1,446,436	\$1,388,952	\$16,376,782	\$16,245,429	\$17,823,218	\$17,634,381
Operating Grants, Contributions, and Interest	577,630	811,005	0	0	577,630	811,005
Capital Grants and Contributions	2,639,585	43,760	0	0	2,639,585	43,760
Total Program Revenues	4,663,651	2,243,717	16,376,782	16,245,429	21,040,433	18,489,146
<u>General Revenues</u>						
Property Taxes Levied for General Purposes	303,505	297,245	0	0	303,505	297,245
Property Taxes Levied for Police and Fire Pension	55,332	54,155	0	0	55,332	54,155
Municipal Income Taxes Levied for General Purposes	2,379,945	2,278,500	0	0	2,379,945	2,278,500
Municipal Income Taxes Levied for Police and Fire	2,118,787	2,028,091	0	0	2,118,787	2,028,091
Municipal Income Taxes Levied for Recreation	261,161	250,403	0	0	261,161	250,403
Other Local Taxes	435,809	433,096	0	0	435,809	433,096
Grants and Entitlements not Restricted to Specific Programs	227,020	330,385	0	0	227,020	330,385
Franchise Taxes	118,032	123,721	0	0	118,032	123,721
Interest	2,242	3,512	288	557	2,530	4,069
Other	1,160,358	1,102,918	191,514	240,596	1,351,872	1,343,514
Total General Revenues	7,062,191	6,902,026	191,802	241,153	7,253,993	7,143,179
Total Revenues	11,725,842	9,145,743	16,568,584	16,486,582	28,294,426	25,632,325
<u>Program Expenses</u>						
<u>Security of Persons and Property</u>						
Police	1,979,840	1,892,266	0	0	1,979,840	1,892,266
Fire	2,023,986	1,904,445	0	0	2,023,986	1,904,445
Public Health	499,489	431,111	0	0	499,489	431,111
Leisure Time Activities	283,347	249,120	0	0	283,347	249,120
Community Environment	30,477	352,954	0	0	30,477	352,954
Transportation	1,920,069	2,055,467	0	0	1,920,069	2,055,467
General Government	1,914,938	1,722,879	0	0	1,914,938	1,722,879
Interest and Fiscal Charges	31,525	68,746	0	0	31,525	68,746
Water	0	0	1,933,456	1,764,857	1,933,456	1,764,857
Sewer	0	0	2,144,286	1,815,966	2,144,286	1,815,966
Electric	0	0	12,262,113	9,936,597	12,262,113	9,936,597
Storm Water	0	0	410,626	305,140	410,626	305,140
Total Expenses	8,683,671	8,676,988	16,750,481	13,822,560	25,434,152	22,499,548

(continued)

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Increase (Decrease) in Net Position Before Transfers	\$3,042,171	\$468,755	(\$181,897)	\$2,664,022	\$2,860,274	\$3,132,777
Transfers	(260,678)	35,922	260,678	(35,922)	0	0
Increase in Net Position	2,781,493	504,677	78,781	2,628,100	2,860,274	3,132,777
Net Position Beginning of Year	23,319,368	22,814,691	28,343,605	25,715,505	51,662,973	48,530,196
Net Position End of Year	<u>\$26,100,861</u>	<u>\$23,319,368</u>	<u>\$28,422,386</u>	<u>\$28,343,605</u>	<u>\$54,523,247</u>	<u>\$51,662,973</u>

The above table reflects the revenues and expenses for operating the City for the past two years. For governmental activities, there was a 28 percent increase in total revenues. The most significant change for program revenues was the increase in capital grants and contributions. The City received grant resources from the Ohio Department of Transportation for bridge replacement and street improvements on Portland Way North. General revenues were very similar to the prior year.

Governmental activities expenses were also very similar to the prior year with a change of less than 1 percent. Note that police and fire operations account for 46 percent of the City's total expenses and the street department operations account for another 22 percent of total expenses. These three departments, along with the basic costs of city operations (administration, receipt collections, paying bills, etc.), account for 90 percent of all of the City's governmental expenses.

As is to be expected, 99 percent of the revenues for business-type activities are received through charges for services provided to the users of the systems. Charges for services revenue increased less than 1 percent from the prior year. These charges are based on user demand for water and electric; sewer charges are based on water consumption.

By far, the electric distribution system is the City's largest utility as demonstrated by the costs to operate the system. Expenses increased significantly due to contracted services related to the ongoing upgrade of the distribution system. This upgrade should be completed in 2015.

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

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	
	2014	2013	2014	2013
Security of Persons and Property				
Police	\$1,979,840	\$1,892,266	\$1,952,858	\$1,834,947
Fire	2,023,986	1,904,445	1,398,822	1,335,979
Public Health	499,489	431,111	254,191	208,990
Leisure Time Activities	283,347	249,120	276,672	240,741
Community Environment	30,477	352,954	26,795	31,826
Transportation	1,920,069	2,055,467	(1,513,255)	1,312,540
General Government	1,914,938	1,722,879	1,592,412	1,399,502
Interest and Fiscal Charges	31,525	68,746	31,525	68,746
Total Expenses	<u>\$8,683,671</u>	<u>\$8,676,988</u>	<u>\$4,020,020</u>	<u>\$6,433,271</u>

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 29 percent of the costs of providing fire services. These charges are for local ambulance services as well as the amount charged to Polk Township for fire/ambulance services. Charges for services and operating grants provide for 49 percent of public health costs. Charges for services and various grants and contributions exceeded the costs of the transportation program in 2014. The transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes and, in 2014, received significant resources from the Ohio Department of Transportation for bridge replacement and street improvements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Police and Fire Levy special revenue fund, and the State Route 598 Construction capital projects fund. The General Fund experienced a 5 percent decrease in fund balance in 2014. Revenues and expenditures remained fairly comparable to the prior year; however, there was a significant increase in resources transferred to other funds to subsidize operations in those funds. In 2013, approximately \$786,000 was transferred to other funds. In 2014, over \$2 million was used to subsidize other funds operations.

Fund balance decreased 65 percent in the Police and Fire Levy Fund. The City is attempting to utilize the majority of these resources annually to fully use the voted levy proceeds for the intended purpose and to reduce the General Fund's contribution towards these services.

The State Route 598 Construction Fund had a 12 percent decrease in fund balance as resources were used to complete the construction on Portland Way North.

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

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 position, all four funds experienced an operating income in 2014.

In July 2005, the City implemented rate increases for water, sewer, and electric. The City increased rates for both water and sewer again annually in January of 2006 through 2012. An additional \$1.00 storm water fee was effective in January 2009 and was raised by an additional \$1 in January 2010. These increases eliminated deficits which had existed in those funds and stabilized operations of the funds. Subsequently, in 2012 and 2013, there were decreases made to the electric rates by eliminating a rate stabilization adder.

The change in net position for the Water, Sewer, and Electric funds from the prior year was not significant. For the Storm Water Fund, the increase in expenses was largely related to an emphasis on routine storm water maintenance.

BUDGETARY HIGHLIGHTS

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

The City's most significant budgeted fund is the General Fund. For revenues, there was no change from the original budget to the final budget. Changes from the final budget to actual revenues were not significant. For expenditures, the change from the original budget to the final budget was not significant. Actual expenditures were 14 percent less than budgeted due to budgeting conservatively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2014, was \$17,240,426 and \$28,138,095, respectively (net of accumulated depreciation). Significant additions for governmental activities included street improvements, two fire department vehicles, a precision approach path indicator at the airport, and a patient transport and loading system for the fire department. The primary additions for business-type activities consisted of continued improvements at the electric distribution system. For further information regarding the City's capital assets, refer to Note 9 to the basic financial statements.

Debt - At December 31, 2014, the City had a number of long-term obligations outstanding including \$7,518,000 in general obligation bonds, \$246,782 in Ohio Public Works Commission loans, and \$10,878,517 in Ohio Water Development Authority loans. Of this debt, \$18,577,865 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, a loan for the acquisition of a fire truck, compensated absences, and long-term obligations with AMP-Ohio. For further information regarding the City's debt, refer to Notes 16 and 17 to the basic financial statements.

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2014
Unaudited

CURRENT ISSUES

After operating as a charter municipal corporation, the City returned to a statutory form of government on June 1, 2013; 2014 being the first full year of statutory operations. After a period of adjusting to the new form of government, areas most affected by the change (City Council and the Administration) have been functioning much smoother.

Several major street projects, the construction of Hesby Drive and the widening of State Route 598, were completed during 2014.

The online bill payment system set up for utility billing in 2013 has been successful and is working well.

The City developed a new website during 2014. The new site was launched in early 2015.

REQUEST FOR INFORMATION

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

City of Galion
Statement of Net Position
December 31, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$8,299,488	\$18,846,930	\$27,146,418	\$0
Investments in Segregated Accounts	0	0	0	10,077,581
Accounts Receivable	236,697	2,490,331	2,727,028	0
Due from Other Governments	368,809	0	368,809	0
Municipal Income Taxes Receivable	1,105,294	0	1,105,294	0
Other Local Taxes Receivable	13,898	0	13,898	0
Excise Taxes Receivable	0	36,348	36,348	0
Internal Balances	282,757	(282,757)	0	0
Prepaid Items	24,693	12,308	37,001	0
Materials and Supplies Inventory	71,475	18,645	90,120	0
Property Taxes Receivable	417,663	0	417,663	0
Notes Receivable	84,501	0	84,501	0
Special Assessments Receivable	0	310,959	310,959	0
Nondepreciable Capital Assets	7,105,568	5,251,854	12,357,422	0
Depreciable Capital Assets, Net	10,134,858	22,886,241	33,021,099	0
Investment in Joint Venture	0	872,625	872,625	0
Total Assets	28,145,701	50,443,484	78,589,185	10,077,581
<u>Liabilities</u>				
Accrued Wages Payable	35,826	16,767	52,593	0
Accounts Payable	94,117	857,942	952,059	0
Contracts Payable	247,017	96,052	343,069	0
Due to Other Governments	187,444	75,662	263,106	0
Retainage Payable	1,764	138,010	139,774	0
Accrued Interest Payable	6,802	66,224	73,026	0
Claims Payable	5,720	0	5,720	0
Deposits Held and Due to Others	0	281,082	281,082	0
Long-Term Liabilities				
Due Within One Year	160,115	1,657,775	1,817,890	0
Due in More Than One Year	945,933	18,831,584	19,777,517	0
Total Liabilities	1,684,738	22,021,098	23,705,836	0
<u>Deferred Inflows of Resources</u>				
Property Taxes	360,102	0	360,102	0
<u>Net Position</u>				
Net Investment in Capital Assets	16,883,081	12,270,606	29,153,687	0
Restricted for				
Capital Projects	368,574	0	368,574	0
Police and Fire	533,266	0	533,266	0
Recreation	350,535	0	350,535	0
Revolving Loans	1,058,465	0	1,058,465	0
Street Construction and Maintenance	192,133	0	192,133	0
Other Purposes	191,839	0	191,839	0
Unrestricted	6,522,968	16,151,780	22,674,748	10,077,581
Total Net Position	\$26,100,861	\$28,422,386	\$54,523,247	\$10,077,581

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Activities
For the Year Ended December 31, 2014

	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	\$1,979,840	\$21,087	\$5,895	\$0
Fire	2,023,986	580,297	44,867	0
Public Health	499,489	239,415	5,883	0
Leisure Time Activities	283,347	6,425	250	0
Community Environment	30,477	0	3,682	0
Transportation	1,920,069	293,403	500,336	2,639,585
General Government	1,914,938	305,809	16,717	0
Interest and Fiscal Charges	31,525	0	0	0
Total Governmental Activities	8,683,671	1,446,436	577,630	2,639,585
<u>Business-Type Activities</u>				
Water	1,933,456	1,819,906	0	0
Sewer	2,144,286	2,054,992	0	0
Electric	12,262,113	11,772,511	0	0
Storm Water	410,626	729,373	0	0
Total Business-Type Activities	16,750,481	16,376,782	0	0
Total Primary Government	\$25,434,152	\$17,823,218	\$577,630	\$2,639,585
<u>Component Unit</u>				
Egbert M. Freese Foundation	\$946,975	\$0	\$0	\$0
Total	\$26,381,127	\$17,823,218	\$577,630	\$2,639,585

General Revenues

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation
(\$1,952,858)	\$0	(\$1,952,858)	\$0
(1,398,822)	0	(1,398,822)	0
(254,191)	0	(254,191)	0
(276,672)	0	(276,672)	0
(26,795)	0	(26,795)	0
1,513,255	0	1,513,255	0
(1,592,412)	0	(1,592,412)	0
(31,525)	0	(31,525)	0
(4,020,020)	0	(4,020,020)	0
0	(113,550)	(113,550)	0
0	(89,294)	(89,294)	0
0	(489,602)	(489,602)	0
0	318,747	318,747	0
0	(373,699)	(373,699)	0
(4,020,020)	(373,699)	(4,393,719)	0
0	0	0	(946,975)
(4,020,020)	(373,699)	(4,393,719)	(946,975)
303,505	0	303,505	0
55,332	0	55,332	0
2,379,945	0	2,379,945	0
2,118,787	0	2,118,787	0
261,161	0	261,161	0
435,809	0	435,809	0
227,020	0	227,020	0
118,032	0	118,032	0
2,242	288	2,530	917,480
1,160,358	191,514	1,351,872	0
7,062,191	191,802	7,253,993	917,480
(260,678)	260,678	0	0
6,801,513	452,480	7,253,993	917,480
2,781,493	78,781	2,860,274	(29,495)
23,319,368	28,343,605	51,662,973	10,107,076
\$26,100,861	\$28,422,386	\$54,523,247	\$10,077,581

City of Galion
Balance Sheet
Governmental Funds
December 31, 2014

	General	Police and Fire Levy	State Route 598 Construction	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$6,082,367	\$94,001	\$196,591	\$1,848,466	\$8,221,425
Accounts Receivable	226,535	0	0	10,162	236,697
Due from Other Governments	145,835	0	0	222,974	368,809
Municipal Income Taxes Receivable	552,646	495,748	0	56,900	1,105,294
Other Local Taxes Receivable	238	0	0	13,660	13,898
Interfund Receivable	390,669	0	0	0	390,669
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	13,839	0	0	0	13,839
Prepaid Items	18,454	0	0	6,239	24,693
Materials and Supplies Inventory	0	0	0	71,475	71,475
Property Taxes Receivable	353,259	0	0	64,404	417,663
Notes Receivable	0	0	0	84,501	84,501
Total Assets	\$7,783,842	\$589,749	\$196,591	\$2,378,781	\$10,948,963
<u>Liabilities</u>					
Accrued Wages Payable	\$16,463	\$15,099	\$0	\$4,264	\$35,826
Accounts Payable	85,540	0	0	8,577	94,117
Contracts Payable	0	0	0	247,017	247,017
Due to Other Governments	76,613	41,384	0	69,447	187,444
Retainage Payable	0	0	0	1,764	1,764
Interfund Payable	0	0	0	86,306	86,306
Total Liabilities	178,616	56,483	0	417,375	652,474
<u>Deferred Inflows of Resources</u>					
Property Taxes	304,574	0	0	55,528	360,102
Unavailable Revenue	759,927	350,231	0	226,388	1,336,546
Total Deferred Inflows of Resources	1,064,501	350,231	0	281,916	1,696,648
<u>Fund Balance</u>					
Nonspendable	32,293	0	0	77,714	110,007
Restricted	0	183,035	196,591	1,891,699	2,271,325
Assigned	389,474	0	0	0	389,474
Unassigned (Deficit)	6,118,958	0	0	(289,923)	5,829,035
Total Fund Balance	6,540,725	183,035	196,591	1,679,490	8,599,841
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$7,783,842	\$589,749	\$196,591	\$2,378,781	\$10,948,963

See Accompanying Notes to the Basic Financial Statements

City of Galion
 Reconciliation of Total Governmental Fund Balance
 to Net Position of Governmental Activities
 December 31, 2014

Total Governmental Fund Balance		\$8,599,841
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		17,240,426
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	193,343	
Due from Other Governments	307,351	
Municipal Income Taxes Receivable	778,291	
Delinquent Property Taxes Receivable	57,561	
		1,336,546
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(21,606)
Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds; it is reported when due.		(6,802)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
OPWC Loans Payable	(65,434)	
Police Pension Liability	(22,815)	
Fire Pension Liability	(86,478)	
Capital Loan Payable	(291,911)	
Compensated Absences Payable	(639,410)	
		(1,106,048)
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 position.		58,504
Net Position of Governmental Activities		\$26,100,861

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2014

	General	Police and Fire Levy	State Route 598 Construction	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$302,722	\$0	\$0	\$55,190	\$357,912
Municipal Income Taxes	2,316,614	2,061,788	0	254,827	4,633,229
Other Local Taxes	435,809	0	0	184,132	619,941
Special Assessments	0	0	0	818	818
Charges for Services	1,042,618	0	0	119,481	1,162,099
Fees, Licenses, and Permits	129,154	0	0	0	129,154
Fines and Forfeitures	15,969	0	0	5,118	21,087
Intergovernmental	306,823	0	2,477,569	672,741	3,457,133
Interest	2,234	0	0	3,752	5,986
Other	640,859	23,487	0	496,262	1,160,608
Total Revenues	5,192,802	2,085,275	2,477,569	1,792,321	11,547,967
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	841,837	910,686	0	182,038	1,934,561
Fire	773,474	924,484	0	269,388	1,967,346
Public Health	450,336	0	0	0	450,336
Leisure Time Activities	0	0	0	269,880	269,880
Community Environment	4,053	0	0	26,424	30,477
Transportation	0	0	2,505,273	2,387,394	4,892,667
General Government	1,278,352	584,911	0	5,444	1,868,707
Debt Service:					
Principal Retirement	31,889	0	680,000	456,389	1,168,278
Interest and Fiscal Charges	9,683	0	12,725	23,935	46,343
Total Expenditures	3,389,624	2,420,081	3,197,998	3,620,892	12,628,595
Excess of Revenues Over (Under) Expenditures	1,803,178	(334,806)	(720,429)	(1,828,571)	(1,080,628)
<u>Other Financing Sources (Uses)</u>					
Transfers In	0	0	692,725	1,274,381	1,967,106
Transfers Out	(2,155,979)	0	0	(71,805)	(2,227,784)
Total Other Financing Sources (Uses)	(2,155,979)	0	692,725	1,202,576	(260,678)
Changes in Fund Balance	(352,801)	(334,806)	(27,704)	(625,995)	(1,341,306)
Fund Balance Beginning of Year	6,893,526	517,841	224,295	2,305,485	9,941,147
Fund Balance End of Year	\$6,540,725	\$183,035	\$196,591	\$1,679,490	\$8,599,841

See Accompanying Notes to the Basic Financial Statements

City of Galion
 Reconciliation of Statement of Revenues, Expenditures,
 and Changes in Fund Balance
 of Governmental Funds to Statement of Activities
 For the Year Ended December 31, 2014

Changes in Fund Balance - Total Governmental Funds (\$1,341,306)

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	3,686,179	
Capital Outlay - Depreciable Capital Assets	566,505	
Depreciation	<u>(1,383,250)</u>	2,869,434

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

Delinquent Property Taxes	925	
Municipal Income Taxes	126,664	
Charges for Services	68,121	
Fees, Licenses, and Permits	(943)	
Intergovernmental	<u>(16,892)</u>	177,875

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

Notes Payable	770,000	
General Obligation Bonds Payable	350,000	
OPWC Loans Payable	13,087	
Police Pension Liability	689	
Fire Pension Liability	2,613	
Capital Loans Payable	<u>31,889</u>	1,168,278

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. 14,818

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. (94,811)

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. (12,795)

Change in Net Position of Governmental Activities \$2,781,493

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$300,346	\$300,346	\$302,722	\$2,376
Municipal Income Taxes	2,324,260	2,324,260	2,339,558	15,298
Other Local Taxes	490,700	490,700	432,766	(57,934)
Charges for Services	1,074,240	1,074,240	1,030,280	(43,960)
Fees, Licenses, and Permits	125,000	125,000	129,154	4,154
Fines and Forfeitures	14,000	14,000	15,103	1,103
Intergovernmental	291,665	291,665	310,816	19,151
Interest	3,500	3,500	2,237	(1,263)
Other	32,600	32,600	15,648	(16,952)
Total Revenues	4,656,311	4,656,311	4,578,284	(78,027)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	947,516	949,694	862,523	87,171
Fire	763,520	853,213	791,748	61,465
Public Health	587,110	558,674	450,713	107,961
Community Environment	50,000	50,000	4,053	45,947
General Government	1,487,644	1,613,980	1,350,583	263,397
Debt Service:				
Principal Retirement	31,889	31,889	31,889	0
Interest and Fiscal Charges	9,683	9,683	9,683	0
Total Expenditures	3,877,362	4,067,133	3,501,192	565,941
Excess of Revenues Over Expenditures	778,949	589,178	1,077,092	487,914
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	604,083	604,083	627,050	22,967
Advances In	71,806	71,806	71,806	0
Advances Out	(71,806)	(71,806)	(71,806)	0
Tranfers Out	(2,168,645)	(2,578,645)	(2,155,979)	422,666
Total Other Financing Sources (Uses)	(1,564,562)	(1,974,562)	(1,528,929)	445,633
Changes in Fund Balance	(785,613)	(1,385,384)	(451,837)	933,547
Fund Balance Beginning of Year	6,368,260	6,368,260	6,368,260	0
Prior Year Encumbrances Appropriated	66,419	66,419	66,419	0
Fund Balance End of Year	\$5,649,066	\$5,049,295	\$5,982,842	\$933,547

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Police and Fire Levy Special Revenue Fund
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Municipal Income Taxes	\$2,071,785	\$2,071,785	\$2,082,207	\$10,422
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	959,205	938,200	908,690	29,510
Fire	872,020	929,346	920,234	9,112
General Government	604,083	604,083	584,911	19,172
Total Expenditures	2,435,308	2,471,629	2,413,835	57,794
Excess of Revenues Under Expenditures	(363,523)	(399,844)	(331,628)	68,216
<u>Other Financing Sources</u>				
Other Financing Sources	0	0	23,487	23,487
Changes in Fund Balance	(363,523)	(399,844)	(308,141)	91,703
Fund Balance Beginning of Year	367,942	367,942	367,942	0
Prior Year Encumbrances Appropriated	34,200	34,200	34,200	0
Fund Balance End of Year	\$38,619	\$2,298	\$94,001	\$91,703

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,918,113	\$4,111,444	\$10,090,064	\$1,446,227	\$18,565,848
Accounts Receivable	265,777	283,138	1,831,707	109,709	2,490,331
Excise Taxes Receivable	0	0	36,348	0	36,348
Interfund Receivable	0	0	22,239	0	22,239
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	78,832	74,823	127,427	0	281,082
Prepaid Items	2,849	3,811	5,450	198	12,308
Materials and Supplies Inventory	15,160	3,485	0	0	18,645
Special Assessments Receivable	10,742	17,527	0	0	28,269
Total Current Assets	3,291,473	4,494,228	12,113,235	1,556,134	21,455,070
<u>Non-Current Assets</u>					
Special Assessments Receivable	107,422	175,268	0	0	282,690
Nondepreciable Capital Assets	902,699	1,150,127	3,150,553	48,475	5,251,854
Depreciable Capital Assets, Net	6,397,309	8,023,916	5,493,654	2,971,362	22,886,241
Investment in Joint Venture	0	0	872,625	0	872,625
Total Non-Current Assets	7,407,430	9,349,311	9,516,832	3,019,837	29,293,410
Total Assets	10,698,903	13,843,539	21,630,067	4,575,971	50,748,480
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	4,884	4,808	6,288	787	16,767
Accounts Payable	21,051	23,865	808,695	4,331	857,942
Contracts Payable	20,413	27,371	42,135	6,133	96,052
Due to Other Governments	22,478	20,800	27,241	5,143	75,662
Retainage Payable	0	0	138,010	0	138,010
Compensated Absences Payable	20,812	18,710	25,952	1,632	67,106
Interfund Payable	98,748	88,474	118,296	21,084	326,602
Accrued Interest Payable	0	0	66,224	0	66,224
Claims Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	824,000	0	824,000
OPWC Loans Payable	10,555	0	0	18,818	29,373
OWDA Loans Payable	259,256	209,796	0	0	469,052
AMP Ohio Payable	0	0	268,244	0	268,244
Total Current Liabilities	458,197	393,824	2,325,085	57,928	3,235,034
<u>Non-Current Liabilities</u>					
Deposits Held and Due to Others	78,832	74,823	127,427	0	281,082
General Obligation Bonds Payable	0	0	6,694,000	0	6,694,000
OPWC Loans Payable	86,110	0	0	65,865	151,975
OWDA Loans Payable	5,494,849	4,914,616	0	0	10,409,465
AMP Ohio Payable	0	0	1,162,070	0	1,162,070
Compensated Absences Payable	135,451	138,763	138,355	1,505	414,074
Total Non-Current Liabilities	5,795,242	5,128,202	8,121,852	67,370	19,112,666
Total Liabilities	6,253,439	5,522,026	10,446,937	125,298	22,347,700
<u>Net Position</u>					
Net Investment in Capital Assets	1,449,238	4,049,631	3,836,583	2,935,154	12,270,606
Unrestricted	2,996,226	4,271,882	7,346,547	1,515,519	16,130,174
Total Net Position	\$4,445,464	\$8,321,513	\$11,183,130	\$4,450,673	28,400,780
Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the balance of the internal service fund.					21,606
Net position of business-type activities					<u>\$28,422,386</u>

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity
Internal
Service
Fund

\$64,224

0

0

0

0

0

0

0

64,224

0

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64,224

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5,720

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5,720

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0

0

0

5,720

0

58,504

\$58,504

City of Galion
Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
<u>Operating Revenues</u>					
Charges for Services	\$1,819,906	\$2,054,992	\$11,772,511	\$729,373	\$16,376,782
Other	45,777	49,000	94,382	2,355	191,514
Total Operating Revenues	<u>1,865,683</u>	<u>2,103,992</u>	<u>11,866,893</u>	<u>731,728</u>	<u>16,568,296</u>
<u>Operating Expenses</u>					
Salaries	545,531	491,011	616,840	108,424	1,761,806
Benefits	258,101	294,940	371,220	54,149	978,410
Contractual Services	233,864	311,562	10,163,925	39,160	10,748,511
Materials and Supplies	265,285	183,886	327,607	109,953	886,731
Claims	0	0	0	0	0
Depreciation	360,196	581,285	210,486	78,118	1,230,085
Other	83,258	83,179	81,806	20,509	268,752
Total Operating Expenses	<u>1,746,235</u>	<u>1,945,863</u>	<u>11,771,884</u>	<u>410,313</u>	<u>15,874,295</u>
Operating Income (Loss)	<u>119,448</u>	<u>158,129</u>	<u>95,009</u>	<u>321,415</u>	<u>694,001</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest Revenue	0	0	288	0	288
Interest Expense	(184,966)	(196,244)	(356,092)	(163)	(737,465)
Loss from Joint Venture	0	0	(131,206)	0	(131,206)
Total Non-Operating Revenues (Expenses)	<u>(184,966)</u>	<u>(196,244)</u>	<u>(487,010)</u>	<u>(163)</u>	<u>(868,383)</u>
Income (Loss) before Transfers	(65,518)	(38,115)	(392,001)	321,252	(174,382)
Transfers In	103,844	118,878	91,105	17,938	331,765
Transfers Out	(27,013)	(44,074)	0	0	(71,087)
Changes in Net Position	11,313	36,689	(300,896)	339,190	86,296
Net Position Beginning of Year	<u>4,434,151</u>	<u>8,284,824</u>	<u>11,484,026</u>	<u>4,111,483</u>	
Net Position End of Year	<u>\$4,445,464</u>	<u>\$8,321,513</u>	<u>\$11,183,130</u>	<u>\$4,450,673</u>	
The change in net position reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.					<u>(7,515)</u>
Change in net position of business-type activities					<u>\$78,781</u>

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity
Internal
Service
Fund

\$70,664
0

70,664

0
0
0
0
90,974
0
0

90,974

(20,310)

0
0
0

0

(20,310)

0
0

(20,310)

78,814

\$58,504

City of Galion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$1,826,549	\$2,075,887	\$11,720,919	\$731,082	\$16,354,437
Cash Received from					
Transactions with Other Funds	0	0	0	0	0
Cash Received from Deposits	24,841	24,608	49,351	0	98,800
Cash Received from Other Revenues	45,777	49,000	94,382	2,355	191,514
Cash Payments for Salaries	(520,833)	(460,349)	(573,207)	(110,037)	(1,664,426)
Cash Payments for Benefits	(261,090)	(297,812)	(376,772)	(53,505)	(989,179)
Cash Payments for Contractual Services	(210,304)	(287,079)	(10,403,071)	(38,941)	(10,939,395)
Cash Payments for Materials and Supplies	(272,171)	(188,798)	(452,264)	(121,236)	(1,034,469)
Cash Payments for Claims	0	0	0	0	0
Cash Payments for Deposits Refunded	(23,869)	(23,392)	(43,313)	0	(90,574)
Cash Payments for Other Expenses	(76,558)	(81,126)	(91,105)	(17,938)	(266,727)
Net Cash Provided by (Used for) Operating Activities	<u>532,342</u>	<u>810,939</u>	<u>(75,080)</u>	<u>391,780</u>	<u>1,659,981</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Transfer In	76,558	74,359	91,105	17,938	259,960
Transfers Out	(16,163)	(26,372)	0	0	(42,535)
Net Cash Provided by Noncapital Financing Activities	<u>60,395</u>	<u>47,987</u>	<u>91,105</u>	<u>17,938</u>	<u>217,425</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(60,000)	(164,569)	0	(72,947)	(297,516)
Principal Paid on General Obligation Bonds	0	0	(796,000)	0	(796,000)
Principal Paid on OPWC Loans	(10,555)	(13,454)	0	(9,409)	(33,418)
Principal Paid on OWDA Loans	(233,878)	(233,696)	0	0	(467,574)
Interest Paid on Bond Anticipation Notes	(1,208)	(2,994)	0	(1,365)	(5,567)
Interest Paid on General Obligation Bonds	0	0	(362,510)	0	(362,510)
Interest Paid on OWDA Loans	(175,324)	(180,588)	0	0	(355,912)
Acquisition of Capital Assets	(132,053)	(45,035)	95,673	(371,892)	(453,307)
Net Cash Used for Capital and Related Financing Activities	<u>(613,018)</u>	<u>(640,336)</u>	<u>(1,062,837)</u>	<u>(455,613)</u>	<u>(2,771,804)</u>
<u>Cash Flows from Investing Activities</u>					
Interest	0	0	288	0	288
Net Increase (Decrease) in Cash and Cash Equivalents	(20,281)	218,590	(1,046,524)	(45,895)	(894,110)
Cash and Cash Equivalents Beginning of Year	<u>3,017,226</u>	<u>3,967,677</u>	<u>11,264,015</u>	<u>1,492,122</u>	<u>19,741,040</u>
Cash and Cash Equivalents End of Year	<u>\$2,996,945</u>	<u>\$4,186,267</u>	<u>\$10,217,491</u>	<u>\$1,446,227</u>	<u>\$18,846,930</u>

Governmental
Activity
Internal
Service
Fund

\$0
70,664
0
0
0
0
0
0
(87,160)
0
<u>0</u>
<u>(16,496)</u>
0
<u>0</u>
<u>0</u>
0
0
0
0
0
0
<u>0</u>
0
<u>0</u>
(16,496)
<u>80,720</u>
<u>\$64,224</u>

(continued)

City of Galion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014
(continued)

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	\$119,448	\$158,129	\$95,009	\$321,415	\$694,001
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Allowance for Uncollectibles	(2,376)	(756)	(18,262)	(896)	(22,290)
Depreciation	360,196	581,285	210,486	78,118	1,230,085
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	6,523	20,700	(29,353)	1,709	(421)
Increase in Excise Taxes Receivable	0	0	(3,285)	0	(3,285)
Increase in Interfund Receivable	0	0	(22,239)	0	(22,239)
Decrease in Prepaid Items	1,581	659	2,852	1,325	6,417
(Increase) Decrease in Materials and Supplies Inventory	(3,593)	15	0	0	(3,578)
Decrease in Special Assessments Receivable	120	195	0	0	315
Increase in Accrued Wages Payable	2,078	2,171	2,973	458	7,680
Increase (Decrease) in Accounts Payable	7,733	10,169	6,284	(3,963)	20,223
Increase (Decrease) in Contracts Payable	0	0	5,476	(7,724)	(2,248)
Increase (Decrease) in Due to Other Governments	(2,697)	(3,067)	(8,107)	838	(13,033)
Decrease in Retainage Payable	0	0	(138,010)	0	(138,010)
Increase (Decrease) in Compensated Absences Payable	22,620	28,491	40,660	(2,071)	89,700
Increase (Decrease) in Interfund Payable	19,737	11,732	(6,229)	2,571	27,811
Increase in Claims Payable	0	0	0	0	0
Increase in Deposits Held and Due to Others	972	1,216	6,038	0	8,226
Decrease in AMP Ohio Payable	0	0	(219,373)	0	(219,373)
Net Cash Provided by (Used for) Operating Activities	\$532,342	\$810,939	(\$75,080)	\$391,780	\$1,659,981

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity
Internal
Service
Fund

(\$20,310)

0
0

0
0
0
0
0
0
0

0
0
0
0
0

3,814

0
0

(\$16,496)

City of Galion
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$31,349</u>
<u>Liabilities</u>	
Undistributed Assets	<u>\$31,349</u>

See Accompanying Notes to the Basic Financial Statements

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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

A. The City

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

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

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

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

The primary government of the City of Galion consists of all funds, departments, boards, and agencies that are not legally separate from the City. For the City of Galion, this includes all departments and activities that are directly operated by the elected City officials.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

Discretely Presented Component Unit

The component unit column on the financial statements identifies the financial data of the City's component 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 20 to the basic financial statements.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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 2014, the City received \$367,500 from the Foundation. Information on the Foundation may be obtained from the Law Offices of Hottenroth, Garverick, Tilson & Co., L.P.A., 126 South Market Street, P.O. Box 477, Galion, Ohio 44833.

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 21, 22, and 23 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. 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 and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

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

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

State Route 598 Construction Fund - The State Route 598 Construction capital projects fund accounts for note proceeds and grants restricted to widening state routes 598, 309, and 61.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Funds

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications; pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2014. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for transient fees collected for use by a convention and visitors bureau and for health care contributions deducted from employee salaries.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

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 position. The statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its 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, recording of deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City did not report any deferred outflows of resources for 2014.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

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

During 2014, the City invested in repurchase agreements, which are reported at cost.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2014 was \$2,234 which includes \$1,620 assigned from other City funds.

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.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Restricted Assets

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

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2014, 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 position but are not reported on the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column on the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their 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.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	20-25 years	30-100 years
Streets	10-40 years	N/A
Bridges	50 years	N/A
Water, Sewer, Electric, and Storm Water Lines	N/A	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 position 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

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. OPWC loans, the police and fire pension liability, and capital loans are recognized as liabilities on the fund financial statements when due.

N. Net Position

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

O. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by City Council. The City Council has authorized the Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

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. 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.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

R. 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 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2014, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Nonmajor Special Revenue Funds	
Street Maintenance	\$82,780
Airport	10,457
Police Pension	16,095
Fire Pension	28,621
Nonmajor Debt Service Fund	
Cheshire Special Assessment	71,806
Nonmajor Capital Projects Fund	
Issue I	2,951

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

B. Compliance

For the year ended December 31, 2014, the Street Maintenance, FAA Grant, and CHIP special revenue funds had final appropriations in excess of estimated resources plus available balances, in the amount of \$42,087, \$1,439, and \$9,324, respectively. The City will review appropriations to ensure they are within available resources.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (continued)

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2014.

Fund Program/Department/Object	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
General Government			
Income Tax			
Contractual Services	\$157,500	\$160,328	\$2,828
Police Drug			
Security of Persons and Property - Police			
Drug Enforcement			
Contractual Services	3,000	3,262	262
Police and Fire Levy			
Security of Persons and Property - Fire			
Fire Department			
Personal Services	650,685	657,401	6,716
Airport			
Transportation			
Airport			
Benefits	1,932	1,977	45
Contractual Services	63,442	66,940	3,498

The Auditor will review expenditures to ensure they are within amounts appropriated.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The 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 restricted, committed, or assigned fund balance (GAAP basis).

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 4 - 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	(\$352,801)	(\$334,806)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2013, Received in Cash 2014	530,904	165,936
Accrued 2014, Not Yet Received in Cash	(518,375)	(145,517)
Expenditure Accruals:		
Accrued 2013, Paid in Cash 2014	(160,719)	(50,237)
Accrued 2014, Not Yet Paid in Cash	178,616	56,483
Cash Accruals:		
Unrecorded Activity 2013	1,520	0
Unrecorded Activity 2014	(1,511)	0
Prepaid Items	(3,118)	0
Advances In	71,806	0
Advances Out	(71,806)	0
Encumbrances Outstanding at Year End (Budget Basis)	(126,353)	0
Budget Basis	(\$451,837)	(\$308,141)

NOTE 5 - 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 5 - 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 Treasurer 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 Treasurer 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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 5 - 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, \$2,131,592 of the City's bank balance of \$2,439,757 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, 2014, the City had the following investment:

	Fair Value	Maturity
Repurchase Agreement	\$24,832,474	1/2/15

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

The securities underlying the repurchase agreement (Federal National Mortgage Association Notes and Federal Home Loan Mortgage Corporation Notes) carry a rating of Aaa by Moody's. The City has no investment policy dealing with credit risk beyond the requirements of State Statute. Ohio law requires that repurchase agreements be limited to investments in United States treasury securities and federal government agency securities.

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement is exposed to custodial credit risk as it is uninsured, unregistered, and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with custodial credit risk beyond the requirements of State statute.

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

	Fair Value	Percentage of Portfolio
Repurchase Agreement	\$24,832,474	100%

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 6 - RECEIVABLES

Receivables at December 31, 2014, 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 \$74,382, will not be received within one year. Special assessments, in the amount of \$282,690, will not be received within one year.

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

	Water	Sewer	Electric	Storm Water	Total Enterprise Funds
Accounts Receivable	\$477,686	\$421,705	\$3,043,241	\$132,924	\$4,075,556
Less Allowance for Uncollectibles	(211,909)	(138,567)	(1,211,534)	(23,215)	(1,585,225)
Net Accounts Receivable	<u>\$265,777</u>	<u>\$283,138</u>	<u>\$1,831,707</u>	<u>\$109,709</u>	<u>\$2,490,331</u>

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 4 percent and are paid over a period of 15 years.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$27,162
Local Government	93,935
Cigarette Taxes	395
Fines and Forfeitures	2,121
Victims of Crime	12,563
Ohio Department of Health	9,659
Total General Fund	<u>145,835</u>
Nonmajor Funds	
OVI Enforcement	
Fines	63
Street Maintenance	
Gasoline Tax	155,997
Motor Vehicle License Tax	33,108
Total Street Maintenance	<u>189,105</u>

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 6 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds (continued)	
State Highway	
Gasoline Tax	\$12,649
Motor Vehicle License Tax	2,684
Total State Highway	15,333
FAA Grant	
Federal Aviation Administration	10,698
Police Pension	
Homestead and Rollback	2,473
Personal Property Phase-Out	536
Ohio Police and Fire Pension Fund	75
Total Police Pension	3,084
Fire Pension	
Homestead and Rollback	2,473
Personal Property Phase-Out	536
Total Fire Pension	3,009
Issue I	
Ohio Public Works Commission	1,682
Total Nonmajor Funds	222,974
Total Governmental Activities	\$368,809

NOTE 7 - 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.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2014 represent the collection of 2013 taxes. Real property taxes received in 2014 were levied after October 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of 2013 taxes. Public utility real and tangible personal property taxes received in 2014 became a lien on December 31, 2012, were levied after October 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2014, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2014 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been recorded as deferred inflows of resources - unavailable revenue.

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2014 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural	\$613,990
Residential	81,357,770
Commercial	18,768,620
Industrial	6,648,780
Public Utility Property	
Real	46,130
Personal	967,240
Total Assessed Value	\$108,402,530

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,485,816	\$0	\$0	\$3,485,816
Construction in Progress	1,103,554	3,686,179	(1,169,981)	3,619,752
Total Nondepreciable Capital Assets	4,589,370	3,686,179	(1,169,981)	7,105,568
Depreciable Capital Assets				
Buildings	1,050,562	0	0	1,050,562
Improvements Other Than Buildings	1,234,815	0	0	1,234,815
Streets	22,322,498	1,563,555	0	23,886,053
Bridges	1,236,330	0	0	1,236,330
Equipment	1,091,374	135,048	0	1,226,422
Vehicles	2,488,192	37,883	(23,337)	2,502,738
Total Depreciable Capital Assets	29,423,771	1,736,486	(23,337)	31,136,920
Less Accumulated Depreciation for				
Buildings	(503,298)	(29,293)	0	(532,591)
Improvements Other Than Buildings	(298,925)	(58,639)	0	(357,564)
Streets	(16,416,115)	(1,075,916)	0	(17,492,031)
Bridges	(623,178)	(24,727)	0	(647,905)
Equipment	(614,021)	(69,687)	0	(683,708)
Vehicles	(1,186,612)	(124,988)	23,337	(1,288,263)
Total Accumulated Depreciation	(19,642,149)	(1,383,250)	23,337	(21,002,062)
Total Depreciable Capital Assets, Net	9,781,622	353,236	0	10,134,858
Governmental Activities Capital Assets, Net	\$14,370,992	\$4,039,415	(\$1,169,981)	\$17,240,426
	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$2,169,744	\$41,271	\$0	\$2,211,015
Construction in Progress	3,229,731	94,672	(283,564)	3,040,839
Total Nondepreciable Capital Assets	5,399,475	135,943	(283,564)	5,251,854

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 9 - CAPITAL ASSETS (continued)

	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
Business-Type Activities (continued):				
Depreciable Capital Assets				
Buildings	\$19,195,726	\$0	\$0	\$19,195,726
Improvements Other Than Buildings	7,316,411	283,564	0	7,599,975
Water, Sewer, Electric, and Storm Water Lines	11,008,785	498,276	0	11,507,061
Equipment	3,334,409	25,250	0	3,359,659
Vehicles	1,445,428	0	0	1,445,428
Total Depreciable Capital Assets	42,300,759	807,090	0	43,107,849
Less Accumulated Depreciation for				
Buildings	(9,902,312)	(697,249)	0	(10,599,561)
Improvements Other Than Buildings	(2,354,163)	(131,295)	0	(2,485,458)
Water, Sewer, Electric, and Storm Water Lines	(3,850,960)	(211,580)	0	(4,062,540)
Equipment	(1,843,816)	(129,217)	0	(1,973,033)
Vehicles	(1,040,272)	(60,744)	0	(1,101,016)
Total Accumulated Depreciation	(18,991,523)	(1,230,085)	0	(20,221,608)
Total Depreciable Capital Assets, Net	23,309,236	(422,995)	0	22,886,241
Business-Type Activities Capital Assets, Net	\$28,708,711	(\$287,052)	(\$283,564)	\$28,138,095

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$32,183
Security of Persons and Property - Fire	62,559
Public Health	5,375
Leisure Time Activities	45,290
Transportation	1,202,750
General Government	35,093
Total Depreciation Expense - Governmental Activities	\$1,383,250

NOTE 10 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2014, the General Fund had an interfund receivable, in the amount of \$390,669; \$86,306 from other governmental funds for short-term loans made to those funds, and \$85,711 from the Water enterprise fund, \$79,272 from the Sewer enterprise fund, \$118,296 from the Electric enterprise fund, and \$21,084 from the Storm Water enterprise fund for services provided to those funds. The Electric enterprise fund had an interfund receivable, in the amount of \$22,239; \$13,037 from the Water enterprise fund and \$9,202 from the Sewer enterprise fund for services provided to those funds. Amounts are expected to be received within one year.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 11 - 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 2014, the City contracted with U. S. Specialty Insurance Company for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (building and contents)	\$14,953,230	\$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	0
Commercial Umbrella	5,000,000	10,000
Crime Coverage	250,000	500

There has been no significant reduction in insurance coverage from 2013, and no insurance settlement has exceeded insurance coverage during the last three years.

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 2014 and 2013 were as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2014	\$1,906	\$90,974	\$87,160	\$5,720
2013	3,492	79,090	80,676	1,906

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2014:

Vendor	Contract Amount	Amount Paid as of 12/31/14	Outstanding Balance
CT Consultants	\$18,500	\$0	\$18,500
GPD Group	96,030	20,309	75,721
Makeever & Associates	66,147	23,364	42,783
Richland Engineering	16,969	7,046	9,923

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2015 are as follows:

General Fund	\$126,353
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NOTE 13 - 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional 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 visiting <https://www.opers.org/investments/cafr.shtml>, 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2014, members in state and local classifications contributed 10 percent of covered payroll. For 2014, member and employer contribution rates were consistent across all three plans.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

The City's 2014 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2014, 2013, and 2012, was \$325,316, \$501,682, and \$450,652, respectively. For 2014, 89 percent has been contributed with the balance reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions to the member-directed plan for 2014 were \$712 made by the City and \$508 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 publicly available financial that includes financial information and required supplementary information for the plan. The report that may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2014, through July 1, 2014, plan members were required to contribute 10.75 percent of their annual covered salary. From July 2, 2014, through December 31, 2014, plan members were required to contribute 11.5 percent of their annual covered salary. Throughout 2014, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2014, the portion of the City's contribution used to fund pension benefits was 19 percent of covered payroll for police officers and 23.5 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$169,277 and \$249,567 for the year ended December 31, 2014, \$210,597 and \$276,080, for the year ended December 31, 2013, and 160,580 and \$224,706 for the year ended December 31, 2012. For 2014, 89 percent has been contributed for both police and firefighters with the balance reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

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

In order 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 mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to 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). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2014. Effective January 1, 2015, the portion of the employer contribution allocated to health care remained at 2 percent for both plans as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or 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.

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2014, 2013, and 2012 was \$54,338, \$25,495, and \$107,630, respectively. For 2014, 89 percent has been contributed with the balance reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 9, 2012, with a transition plan commencing on January 1, 2014. With the passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contribution toward the health care fund after the end of the transition period.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

B. Ohio Police and Fire Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the employer contribution allocated to the health care plan was .5 percent of covered payroll. The amount of the employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$4,455 and \$4,942 for the year ended December 21, 2014, \$31,237 and \$34,570 for the year ended December 31, 2013, and \$51,008 and \$58,903 for the year ended December 31, 2012. For 2014, 89 percent has been contributed for both police and firefighters with the balance reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

NOTE 15 - 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. Employees who are part of the Ohio Patrolmen's Benevolent Association and the Fraternal Order of Police, who were hired before January 1, 2014, and who have three or more years of full-time service with the City are entitled to receive two-thirds of the value of their accumulated unused sick leave. Members of these two unions who were hired after January 1, 2014, and have five or more years of full-time service with the City are entitled to receive one-half of the value of their accumulated unused sick leave. Members of the International Association of Firefighters with five or more years of full-time service with the City are entitled to receive between 25 percent, 33 percent, and 66 percent of the value of their accumulated unused sick leave, dependent on the amount of accumulated hours. All other employees having three or more years of full-time service with the City are entitled to receive two-thirds of the value of their accumulated unused sick leave regardless of date of hire.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 16 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2014, were as follows:

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014
<u>Business-Type Activities</u>					
<u>General Obligation Bond</u>					
<u>Anticipation Notes</u>					
Enterprise Funds					
2013 Water Line Improvement	1.85%	\$60,000	\$0	\$60,000	\$0
2013 Wastewater System Improvement	1.85	164,569	0	164,569	0
2013 Storm System Improvement	1.85	72,947	0	72,947	0
Total Business-Type Activities		<u>\$297,516</u>	<u>\$0</u>	<u>\$297,516</u>	<u>\$0</u>

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

The bond anticipation notes in the Water enterprise fund, in the amount of \$60,000, were issued on February 7, 2013, to partially retire notes previously issued in 2012 to improve water lines. The notes matured on February 7, 2014.

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$164,569, were issued on February 7, 2013, to partially retire notes previously issued in 2012 to improve sanitary sewer lines. The notes matured on February 7, 2014.

The bond anticipation notes in the Storm Water enterprise fund, in the amount of \$72,947, were issued on February, 7, 2013, to partially retire notes previously issued in 2012 to improve the storm water system. The notes matured on February 7, 2014.

NOTE 17 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2014, was as follows:

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
<u>Governmental Activities</u>						
<u>General Obligation Bond Anticipation</u>						
<u>Notes</u>						
2013 Dump Truck (Original Amount \$90,000)	1.85%	\$90,000	\$0	\$90,000	\$0	\$0
2013 Street Improvement (Original Amount \$680,000)	1.85	680,000	0	680,000	0	0
Total General Obligation Bond Anticipation Notes		<u>770,000</u>	<u>0</u>	<u>770,000</u>	<u>0</u>	<u>0</u>
<u>General Obligation Bonds</u>						
2004 Various Purpose (Original Amount \$3,500,000)	5.00	350,000	0	350,000	0	0

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
<u>Governmental Activities</u> (continued)						
Other Long-Term Obligations						
OPWC Loans						
#CP02L	0.00%	\$78,521	\$0	\$13,087	\$65,434	\$13,087
Police Pension Liability		23,504	0	689	22,815	718
Fire Pension Liability		89,091	0	2,613	86,478	2,724
Capital Loan Payable (Fire Truck)	2.99	323,800	0	31,889	291,911	32,843
Compensated Absences Payable		544,599	123,388	28,577	639,410	110,743
Total Other Long-Term Obligations		<u>1,059,515</u>	<u>123,388</u>	<u>76,855</u>	<u>1,106,048</u>	<u>160,115</u>
Total Governmental Activities		<u>\$2,179,515</u>	<u>\$123,388</u>	<u>\$1,196,855</u>	<u>\$1,106,048</u>	<u>\$160,115</u>
	Interest Rate	Balance December 31, 2013	Additions	Reductions	Balance December 31, 2014	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2007 Electric Improvement (Original Amount \$8,952,000)	5.25%	\$6,314,000	\$0	\$546,000	\$5,768,000	\$574,000
2011 Electric Improvement (Original Amount \$2,500,000)	2.15	<u>2,000,000</u>	<u>0</u>	<u>250,000</u>	<u>1,750,000</u>	<u>250,000</u>
Total General Obligation Bonds		<u>8,314,000</u>	<u>0</u>	<u>796,000</u>	<u>7,518,000</u>	<u>824,000</u>
Other Long-Term Obligations						
OPWC Loans						
Railroad Street Waterline (Original Amount \$71,104)	0.00	30,220	0	3,555	26,665	3,555
West End Waterline (Original Amount \$140,000)	0.00	77,000	0	7,000	70,000	7,000
Cherry Street Sewer (Original Amount \$541,829)	0.00	13,454	0	13,454	0	0
North Market Storm Sewer (Original Amount \$94,092)	0.00	<u>94,092</u>	<u>0</u>	<u>9,409</u>	<u>84,683</u>	<u>18,818</u>
Total OPWC Loans		<u>214,766</u>	<u>0</u>	<u>33,418</u>	<u>181,348</u>	<u>29,373</u>
OWDA Loans						
#2735 Raw Water Line (Original Amount \$480,881)	2.00	180,433	0	21,022	159,411	21,443
#3508 Water Treatment (Original Amount \$3,924,637)	2.00	2,688,839	0	121,430	2,567,409	123,871
#4088 Cheshire Subdivision (Original Amount \$983,863)	3.98	634,640	0	47,010	587,630	48,900
#4089 Sewer System Improvement (Original Amount \$1,600,253)	3.98	1,442,541	0	42,024	1,400,517	43,714
#4090 Cheshire (Original Amount \$1,232,112)	3.98	1,030,209	0	30,013	1,000,196	31,219
#4091 Water System Improvement (Original Amount \$2,218,464)	3.98	1,854,929	0	54,039	1,800,890	56,211
#4732 WWTP Bio-Solids (Original Amount \$2,762,322)	3.20	2,352,454	0	111,723	2,240,731	115,690
#4873 Water Tank Rehabilitation (Original Amount \$679,864)	4.61	562,937	0	26,756	536,181	28,004
#5176 WWTP Improvement Design (Original Amount \$85,355)	3.20	27,031	0	23,626	3,405	0
#6273 WWTP Influent Upgrade (Original Amount \$655,098)	2.57	<u>619,088</u>	<u>0</u>	<u>36,941</u>	<u>582,147</u>	<u>0</u>
Total OWDA Loans		<u>11,393,101</u>	<u>0</u>	<u>514,584</u>	<u>10,878,517</u>	<u>469,052</u>

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

<u>Business-Type Activities</u> (continued)	<u>Interest Rate</u>	<u>Balance December 31, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2014</u>	<u>Due Within One Year</u>
AMP Ohio Payable - JV 2		\$862,582	\$0	\$209,558	\$653,024	\$210,446
AMP Ohio Payable		787,105	9,451	19,266	777,290	57,798
Compensated Absences Payable		391,480	115,182	25,482	481,180	67,106
Total Business-Type Activities		<u>\$21,963,034</u>	<u>\$124,633</u>	<u>\$1,598,308</u>	<u>\$20,489,359</u>	<u>\$1,657,775</u>

2013 Dump Truck General Obligation Bond Anticipation Notes

On February 7, 2013, the City issued \$90,000 in general obligation bond anticipation notes to retire notes previously issued in 2012 to pay for the cost of a dump truck. The notes matured on February 7, 2014.

2013 Street Improvement General Obligation Bond Anticipation Notes

On February 7, 2014, the City issued \$680,000 in general obligation bond anticipation notes to retire notes previously issued in 2012 to pay for the cost of improving State Routes 309, 61, and 598. The notes matured on February 7, 2014.

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 were partially secured by pledged revenues from the Egbert M. Freese Foundation received annually over the life of the bond issue. Any principal and interest payments due that exceeded the annual amounts received from the Foundation were paid with transfers from the General Fund. The bonds matured on December 1, 2014, and were paid from the Freese debt service fund.

2007 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, 2014, the City had unspent proceeds, in the amount of \$210,376.

2011 Electric Improvement General Obligation Bonds

On October 27, 2011, the City issued \$2,500,000 in unvoted general obligation bonds to improve the City's electric distribution system. The bonds are being retired from the Electric enterprise fund. The bonds will mature on December 1, 2021. As of December 31, 2014, none of the proceeds had been spent.

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, Sewer, and Storm Water enterprise funds to the extent resources are available.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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 \$13,821,613. Principal and interest paid in the Water and Sewer enterprise funds for the current year were \$409,202 and \$414,284, respectively. Total net revenues for the Water and Sewer enterprise funds were \$479,644 and \$739,414, 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.

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

Compensated Absences Payable

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

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 on 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 \$670,282. Principal and interest paid for the current year and total net revenues were \$271,710 and \$305,495, respectively.

AMP Ohio Payable

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

The City’s estimated share of the impaired costs at March 31, 2014, was \$1,148,904. The City received a credit of \$361,799 related to the AMPGS costs deemed to have future benefit for the project participant. During 2014, additional costs were incurred for interest and legal fees of \$9,451 and payments were made of \$19,266 leaving a net impaired cost estimate of \$777,290. The City is reporting a payable to AMP in its business-type activities and in its Electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line of credit interest and legal fees) or amounts received related to the project may result in a future liability to the City. These amounts will be recorded as they become estimable.

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

The City’s legal debt margin was \$11,024,921 at December 31, 2014.

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

	Governmental Activities				
	OPWC Loan	Police and Fire Pension		Capital Loan	
	Principal	Principal	Interest	Principal	Interest
2015	\$13,087	\$3,442	\$4,609	\$32,843	\$8,729
2016	13,087	3,590	4,461	33,825	7,747
2017	13,087	3,745	4,306	34,837	6,736
2018	13,087	3,904	4,147	35,878	5,694
2019	13,086	4,074	3,977	36,951	4,622
2020-2024	0	23,144	17,111	117,577	7,142
2025-2029	0	28,562	11,693	0	0
2030-2034	0	35,247	5,008	0	0
2035	0	3,585	76	0	0
	\$65,434	\$109,293	\$55,388	\$291,911	\$40,670

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

The WWTP improvement design and WWTP influent upgrade 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.

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	
2015	\$824,000	\$327,933	\$29,373	
2016	855,000	291,805	29,373	
2017	888,000	254,038	29,373	
2018	921,000	214,524	29,373	
2019	958,000	173,201	19,966	
2020-2024	3,072,000	255,909	43,890	
	\$7,518,000	\$1,517,410	\$181,348	

Year	OWDA Loans		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2015	\$469,052	\$345,023	\$268,244	\$8,398
2016	484,623	329,452	270,943	5,699
2017	500,745	313,330	287,231	3,161
2018	517,449	296,626	57,798	0
2019	534,750	279,325	57,798	0
2020-2024	2,880,498	1,115,984	288,990	0
2025-2029	2,910,330	625,457	199,310	0
2030-2034	1,707,079	214,813	0	0
2035	288,439	8,638	0	0
	\$10,292,965	\$3,528,648	\$1,430,314	\$17,258

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 18 - FUND BALANCE

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

<u>Fund Balance</u>	<u>General</u>	<u>Police and Fire Levy</u>	<u>State Route 598 Construction</u>	<u>Other Governmental Funds</u>
Nonspendable for:				
Materials and Supplies Inventory	\$0	\$0	\$0	\$71,475
Prepaid Items	18,454	0	0	6,239
Unclaimed Monies	13,839	0	0	0
Total Nonspendable	<u>32,293</u>	<u>0</u>	<u>0</u>	<u>77,714</u>
Restricted for:				
Airport Improvements	0	0	0	16,969
Depot Improvements	0	0	0	10,100
Drug Enforcement	0	0	0	69,278
Economic Development and Rehabilitation	0	0	0	1,088,753
Park Improvements	0	0	0	147,722
Park Operations	0	0	0	311,658
Police and Fire Operations	0	183,035	0	6,180
Street Construction and Maintenance	0	0	196,591	241,039
Total Restricted	<u>0</u>	<u>183,035</u>	<u>196,591</u>	<u>1,891,699</u>
Assigned for:				
Projected Budget Shortage	321,965	0	0	0
Unpaid Obligations	67,509	0	0	0
Total Assigned	<u>389,474</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unassigned (Deficit)	<u>6,118,958</u>	<u>0</u>	<u>0</u>	<u>(289,923)</u>
Total Fund Balance	<u>\$6,540,725</u>	<u>\$183,035</u>	<u>\$196,591</u>	<u>\$1,679,490</u>

NOTE 19 - INTERFUND TRANSFERS

During 2014, the General Fund made transfers to the State Route 598 Construction capital projects fund, other governmental funds, and the Water, Sewer, Electric, and Storm Water enterprise funds, in the amount of \$692,725, \$1,203,294, \$76,558, \$74,359, \$91,105, and \$17,938, respectively, to subsidize various programs in other funds.

Other governmental funds made transfers to the Water and Sewer enterprise funds, in the amount of \$27,286 and \$44,519, respectively, to move special assessment revenue related to Water and Sewer funds.

The Water enterprise fund made transfers to other governmental funds, in the amount of \$27,013, to move receipts as debt payments came due.

The Sewer enterprise fund made transfers to other governmental funds, in the amount of \$44,074, to move receipts as debt payments came due.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 20 - 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's resources are invested in various securities as determined by the Board of Trustees. As of December 31, 2014, the Foundation's investments consisted of the following:

	<u>Fair Value</u>
Equities	\$5,606,318
Fixed Income	3,145,612
Alternative Income	106,057
Other Assets	1,130,686
Cash Equivalents	88,908
	<u>\$10,077,581</u>

NOTE 21 - JOINT VENTURES

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

The City is a participant, with twenty-one 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 \$14,200 to the joint venture in 2014 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 \$25,055 at December 31, 2014. Complete financial statements for JV1 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 21 - 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, 2014, 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. During 2011, AMP-Ohio retired the remaining balance of the bonds; however, the City is still responsible for paying the remainder of their obligation for this debt to AMP-Ohio. The City's net obligation for these bonds at December 31, 2014, was \$653,024 (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 \$847,570 at December 31, 2014. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 22 - 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.

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, 419 Harding Way West, Galion, Ohio 44833.

NOTE 23 - 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 the Mayor. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the City for operational subsidies. Although the City serves as the taxing authority and can issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The Library is not considered part of the City and its operations are not included within the accompanying financial statements. Financial information can be obtained from the Galion Public Library, 123 North Market Street, Galion, Ohio 44833.

NOTE 24 - 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 Mayor, 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, December 2009, December 2010, December 2011, December 2012, December 2013, and December 2014.

The more significant steps taken by the City to alleviate the fiscal emergency conditions were initial staff reductions and 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). The City has eliminated all deficit cash balances and, if able to correct all issues outlined in the Report on Accounting Methods, may be released from fiscal emergency in 2016.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2014

NOTE 25 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2014, to December 31, 2014, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 26 - SUBSEQUENT EVENT

On July 30, 2015, the City issued \$799,000 in bond anticipation notes for the acquisition of a fire truck, two trucks to be used by the street department, and one truck to be used by the sewer maintenance department. The notes have an interest rate of .75 percent and mature on July 29, 2016.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave
Parkersburg, WV 26101
304.422.2203

121 E Main St
St. Clairsville, OH 43950
740.695.1569

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

September 30, 2015

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2015, 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 Section 118.05(G), the Auditor of State served as the City's financial supervisor.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

... "bringing more to the table"

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll

Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated September 30, 2015.

Purpose of this Report

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



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



Dave Yost • Auditor of State

CITY OF GALION

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 24, 2015