



**PERRY**

**& Associates CPAs**

**PASSION** *Beyond the Numbers*

**CITY OF GALION  
CRAWFORD COUNTY  
SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2022**



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of the City of Galion, Crawford County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2022 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

March 21, 2024

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**City of Galion  
Crawford County**

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## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, Ohio (City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, Ohio as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Street Maintenance and Repair, and Police and Fire Levy funds for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Galion Board of Health, which represents 8.41 percent, 100 percent, 1.46 percent, 33.27 percent, and 15.45 percent, respectively, of the assets and deferred outflows, liabilities and deferred inflows, net position, revenues, and expenses of the component units as of December 31, 2022, and the respective changes in financial position cash flows, thereof for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Galion Board of Health, is based solely on the report of other auditors.

#### *Basis for Opinions*

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

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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



***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

January 10, 2024

**CITY OF GALION**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2022  
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, 2022. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2022 are as follows:

In total, the City's net position increased approximately 13 percent from the prior year. Governmental activities increased almost 17 percent and business-type activities increased almost 9 percent.

General revenues made up 57 percent of the total revenues for governmental activities in 2022 and, of this amount, 84 percent was provided through property and municipal income taxes, the most critical of the City's revenue sources.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2022. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**CITY OF GALION**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2022  
Unaudited

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

**CITY OF GALION**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2022  
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2022 and 2021.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<u>Assets</u>						
Current and Other Assets	\$14,884,275	\$15,872,537	\$11,143,568	\$12,662,074	\$26,027,843	\$28,534,611
Net Pension Asset	11,841	8,492	18,465	13,740	30,306	22,232
Net OPEB Asset	242,836	139,185	378,539	225,156	621,375	364,341
Capital Assets, Net	25,783,138	21,099,231	25,680,552	26,911,219	51,463,690	48,010,450
Total Assets	<u>40,922,090</u>	<u>37,119,445</u>	<u>37,221,124</u>	<u>39,812,189</u>	<u>78,143,214</u>	<u>76,931,634</u>
<u>Deferred Outflows of Resources</u>						
Pension	2,351,807	1,229,074	486,990	335,020	2,838,680	1,554,596
OPEB	653,732	794,263	14,143	151,560	667,875	939,396
Total Deferred Outflows of Resources	<u>3,005,539</u>	<u>2,023,337</u>	<u>501,133</u>	<u>486,580</u>	<u>3,506,555</u>	<u>2,493,992</u>
<u>Liabilities</u>						
Current and Other Liabilities	2,166,669	2,205,755	2,126,508	4,070,191	4,293,177	6,275,946
Long-Term Liabilities						
Pension	6,729,358	7,647,327	1,100,837	1,959,683	7,830,195	9,607,010
OPEB	1,056,740	1,000,270	0	0	1,056,740	1,000,270
Other Amounts	1,533,516	1,254,726	8,260,727	10,284,106	9,794,243	11,538,832
Total Liabilities	<u>11,486,283</u>	<u>12,108,078</u>	<u>11,488,072</u>	<u>16,313,980</u>	<u>22,974,355</u>	<u>28,422,058</u>
<u>Deferred Inflows of Resources</u>						
Pension	2,877,532	1,329,618	1,412,521	851,608	4,289,936	2,171,728
OPEB	625,362	825,585	400,399	689,116	1,025,761	1,508,274
Other Amounts	415,305	421,732	49,307	12,208	464,612	433,940
Total Deferred Inflows of Resources	<u>3,918,199</u>	<u>2,579,935</u>	<u>1,862,227</u>	<u>1,552,932</u>	<u>5,780,309</u>	<u>4,113,942</u>
<u>Net Position</u>						
Net Investment in Capital Assets	24,420,781	19,655,453	16,924,754	16,485,044	41,345,535	36,140,497
Restricted	3,291,549	4,589,983	19,757	0	3,311,306	4,589,983
Unrestricted	810,817	212,333	7,427,447	5,946,813	8,238,264	6,159,146
Total Net Position	<u>\$28,523,147</u>	<u>\$24,457,769</u>	<u>\$24,371,958</u>	<u>\$22,431,857</u>	<u>\$52,895,105</u>	<u>\$46,889,626</u>

**CITY OF GALION**  
Management's Discussion and Analysis  
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The net pension liability (asset) and the net OPEB liability (asset) reported by the City at December 31, 2022, are reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". For reasons discussed below, end users of these financial statements will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability (asset), and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

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

Aside from the changes related to pension/OPEB, there were few other changes of note for governmental activities. The decrease in current and other assets was generally due to the decrease in notes receivable. In 2022, the City wrote off the revolving loan for the Central Hotel Apartments since the building now belongs to the City. The increase in capital assets was for ongoing projects at the City (the State Route 598 Widening Project and Airport Runway Rehabilitation Project) with the offset to invested in capital assets. The decrease in current and other liabilities was insignificant.

The decrease in current and other assets was generally due to a decrease in cash and cash equivalents. This was largely due to payment made to AMP Ohio for the purchase of power for the prior year which was paid in the current year. This also caused the current and other liabilities to decrease because the payment was recorded as a payable in the prior year. The decrease in other long-term liabilities was scheduled debt retirement.

**CITY OF GALION**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2022  
Unaudited

Table 2 reflects the change in net position for 2022 and 2021.

Table 2  
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<u>Revenues</u>						
<u>Program Revenues</u>						
Charges for Services	\$960,146	\$1,041,349	\$17,242,381	\$16,348,066	\$18,202,527	\$17,389,415
Operating Grants, Contributions, and Interest	1,021,448	1,455,827	0	0	1,021,448	1,455,827
Capital Grants and Contributions	3,925,804	683,124	0	138,135	3,925,804	821,259
<b>Total Program Revenues</b>	<b>5,907,398</b>	<b>3,180,300</b>	<b>17,242,381</b>	<b>16,486,201</b>	<b>23,149,779</b>	<b>19,666,501</b>
<u>General Revenues</u>						
Property Taxes Levied for General Purposes	488,791	341,343	0	0	488,791	341,343
Property Taxes Levied for Police and Fire Pension	85,640	62,660	0	0	85,640	62,660
Municipal Income Taxes Levied for General Purposes	2,967,642	2,836,054	0	0	2,967,642	2,836,054
Municipal Income Taxes Levied for Police and Fire	2,640,947	2,522,874	0	0	2,640,947	2,522,874
Municipal Income Taxes Levied for Recreation	326,694	312,477	0	0	326,694	312,477
Other Local Taxes	448,026	444,283	0	0	448,026	444,283
Grants and Entitlements not Restricted to Specific Programs	347,990	354,184	0	0	347,990	354,184
Franchise Taxes	134,711	136,559	0	0	134,711	136,559
Investment Earning and Other Interest	(382,569)	(53,565)	0	(54)	(382,569)	(53,619)
Other	676,879	946,999	127,907	163,390	804,786	1,110,389
<b>Total General Revenues</b>	<b>7,734,751</b>	<b>7,903,868</b>	<b>127,907</b>	<b>163,336</b>	<b>7,862,658</b>	<b>8,067,204</b>
<b>Total Revenues</b>	<b>13,642,149</b>	<b>11,084,168</b>	<b>17,370,288</b>	<b>16,649,537</b>	<b>31,012,437</b>	<b>27,733,705</b>
<u>Program Expenses</u>						
<u>Security of Persons and Property</u>						
Police	2,349,849	2,227,666	0	0	2,349,849	2,227,666
Fire	2,524,367	2,303,252	0	0	2,524,367	2,303,252
Public Health	353,353	306,211	0	0	353,353	306,211
Leisure Time Activities	685,623	343,160	0	0	685,623	343,160
Community Environment	1,156,134	687,942	0	0	1,156,134	687,942
Transportation	1,146,954	1,332,025	0	0	1,146,954	1,332,025
General Government	1,272,128	1,205,408	0	0	1,272,128	1,205,408
Basic Utility Services	23,582	563	0	0	23,582	563
Interest and Fiscal Charges	20,655	24,411	0	0	20,655	24,411
Water	0	0	1,776,956	1,495,205	1,776,956	1,495,205
Sewer	0	0	1,862,617	1,905,948	1,862,617	1,905,948
Electric	0	0	11,326,003	11,548,998	11,326,003	11,548,998
Storm Water	0	0	508,737	338,226	508,737	338,226
<b>Total Expenses</b>	<b>9,532,645</b>	<b>8,430,638</b>	<b>15,474,313</b>	<b>15,288,377</b>	<b>25,006,958</b>	<b>23,719,015</b>

(continued)

**CITY OF GALION**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2022**  
**Unaudited**

Table 2  
Change in Net Position  
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Increase in Net Position Before Transfers	\$4,109,504	\$2,653,530	\$1,895,975	\$1,361,160	\$6,005,479	\$4,014,690
Transfers	(44,126)	(43,504)	44,126	43,504	0	0
Increase in Net Position	4,065,378	2,610,026	1,940,101	1,404,664	6,005,479	4,014,690
Net Position Beginning of Year	24,457,769	21,847,743	22,431,857	21,027,193	46,889,626	42,874,936
Net Position End of Year	<u>\$28,523,147</u>	<u>\$24,457,769</u>	<u>\$24,371,958</u>	<u>\$22,431,857</u>	<u>\$52,895,105</u>	<u>\$46,889,626</u>

For governmental activities, there was a significant increase in program revenues from the prior year mostly attributed to the increase in capital grants and contributions. The City received significant contributions from the Ohio Department of Transportation for street improvements, from Ohio Department of Natural Resources for park improvements, and from the Federal Aviation Administration for airport improvements. The decrease in operating grants and contributions was related to COVID relief monies received in the prior year. The decrease in general revenues was due to a combination of a decrease in interest earned on investments (and the fair value adjustment of investments) and the decrease in other revenue (a large reimbursement from the Bureau of Workers' Compensation received in the prior year). Expenses increased due to wages and benefits for police and fire as well as the increase in the pension/OPEB expenses.

As is to be expected, 99 percent of the revenues for business-type activities are received through charges for services provided to the users of the systems. Total revenues increased due to increase in rates in sewer and an increase in the power cost adjustment for electric. There was not a significant change in total expense.

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	
	2022	2021	2022	2021
Security of Persons and Property				
Police	\$2,349,849	\$2,227,666	\$2,312,851	\$2,154,951
Fire	2,524,367	2,303,252	1,755,955	1,579,469
Public Health	353,353	306,211	353,353	306,211
Leisure Time Activities	685,623	343,160	569,747	329,151
Community Environment	1,156,134	687,942	702,263	92,795
Transportation	1,146,954	1,332,025	(3,296,469)	(394,085)
General Government	1,272,128	1,205,408	1,223,403	1,157,435
Basic Utility Services	23,582	563	(16,511)	0
Interest and Fiscal Charges	20,655	24,411	20,655	24,411
Total Expenses	<u>\$9,532,645</u>	<u>\$8,430,638</u>	<u>\$3,625,247</u>	<u>\$5,250,338</u>



**CITY OF GALION**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2022  
Unaudited

The dependence on general revenues to pay for the various services provided by the City is significant. The costs for fire services is partially offset by charges for services (21 percent), primarily due to the City's contract with Polk Township. Charges for services and various grants and contributions covered all of the costs of the transportation program for 2022. The transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes. In addition, in 2022, the City received a substantial contribution from the Ohio Department of Transportation for street improvements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

Fund balance increased 2 percent in the General Fund which is insignificant. However, there was a 7 percent decrease in revenues (resulting from a decrease in interest revenue and other revenue from the workers' compensation refund as discussed previously). There was also a 8 percent increase in expenditures with the most significant increases in the security of persons and property program (expenses allocated to Police and Fire Levy fund).

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

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

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

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

The Water Fund had an operating income and increase in net position in 2022. Revenues are comparable to the prior year and expenses increased.

The Sewer Fund had an operating income and decrease in net position in 2022. Revenues increased from the prior year due to an increase in sewer rates in 2022 (as discussed previously). The change in expenses is insignificant.

The Electric Fund had an operating income and increase in net position for 2022. Charges for services continue to be sufficient to cover operating costs.

The Storm Water Fund had an operating income and increase in net position for 2022. Revenues increased slightly and expenses increased.

**CITY OF GALION**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2022  
Unaudited

BUDGETARY HIGHLIGHTS

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

The City's most significant budgeted fund is the General Fund. For revenues, there was little change from the original budget to the final budget. The change was due to underestimating income taxes. Changes from the final budget to actual revenues were due to investment earning and other interest (the fair value of adjustments). For expenditures, changes from the original budget to the final budget were primarily related to the City's subsidy to the Board and Health and for community environment programs. Changes from the final budget to actual expenditures were due to conservative budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2022, was \$25,783,138 and \$25,680,552, respectively (net of accumulated depreciation). The most significant additions for governmental activities were ongoing construction projects for street and airport improvements and acquiring the Central Hotel Apartments building. Disposals were minimal. Additions for the business-type activities included ongoing construction for storm water line installation and water treatment plant. Disposals were vehicles. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

Debt - At December 31, 2022, the City had bond anticipation notes payable from governmental and business-type activities, in the amount of \$460,400 and \$1,583,800, respectively. The City also had a number of long-term obligations outstanding including \$214,000 in general obligation bonds, \$1,650,984 in Ohio Public Works Commission loans, and \$6,430,649 in Ohio Water Development Authority loans. Of this debt, \$7,569,029 will be paid from business-type activities.

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

CURRENT ISSUES

Reconciliation of the operating and payroll accounts was not completed for most of 2022 by December 31, 2022. The Auditor's Office contracted with the State Auditor's Local Government Services to prepare reconciliations and to assist our office's ability to complete bank reconciliations at the end of each month.

The City sold the South Street Commerce Center to Mosier Industrial Services Corporation in 2021. Final payments for the purchase will be made to the City in 2023.

The City took possession of the Central Hotel Apartments in late 2022.

**CITY OF GALION**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2022  
Unaudited

Street paving included Beechwood Ave., Bender Ave., Brentwood, Buehler St. from Fairview to Bender, Downing Place, Elmwood Dr., Erie St., Holmes Place, Miami Ave., Newberry Dr., Oliver St., Ottawa, Richardson Ave., Second Ave., S. Columbus St. from Harding Way East to Walnut, Surry Dr. and Walker St.

The City started Phase 4 of the SE storm water project in 2022 and will continue into 2023. The City is currently working on phase 2 of the bike path project and should be completed u 2023.

Construction continues with the State Route 598 widening project, in conjunction with the Ohio Department of Transportation. Construction should be completed mid-2023.

The City received a grant to reconstruct portions of the Square at the Gazebo. Construction was completed however, the City is still waiting on reimbursement of funds from the grant.

The airport runway project, through an FAA Grant, continued through 2022 and should be completed in 2023.

Grants received in 2021 for airport hangar improvements (Airport Coronavirus Relief grant, Airport CARES Act grant, and Airport American Rescue Plan grant) were spent in 2021. Requests for reimbursement were not submitted in 2022. Reimbursement of these funds are anticipated to be received in 2023.

The City will be utilizing approximately \$479,000 in Freese Funds for various projects in 2023.

The City applied for and was awarded a Brownfield Grant in 2022 in the amount of \$500,000. Work on this project started in 2022 and is expected to continue through 2025.

The City began the designing and engineering phase of Water Treatment Plant upgrades in 2022. Funding for this project will come from American Rescue Plan funds receive from the County (the City will be the subgrantee). The project should be completed in 2024.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our city's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brian Saterfield, Auditor, City of Galion, 301 Harding Way East, P.O. Box 790, Galion, Ohio 44833.

City of Galion  
Statement of Net Position  
Primary Government and Discretely Presented Component Units  
December 31, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities*	Total*	Egbert M. Freese Foundation	City of Galion Board of Health
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$10,946,240	\$7,860,348	\$18,806,588	\$0	\$252,231
Investments in Segregated Accounts	0	0	0	10,063,330	0
Accounts Receivable	152,248	3,077,292	3,229,540	0	0
Accrued Interest Receivable	51,684	0	51,684	0	0
Due from Other Governments	794,592	612	795,204	0	80,758
Due from Primary Government	0	0	0	0	271,444
Municipal Income Taxes Receivable	1,828,743	0	1,828,743	0	0
Other Local Taxes Receivable	20,014	0	20,014	0	0
Excise Taxes Receivable	0	38,958	38,958	0	0
Internal Balances	36,128	(36,128)	0	0	0
Prepaid Items	111,705	66,652	178,357	0	7,242
Materials and Supplies Inventory	167,007	45,414	212,421	0	0
Property Taxes Receivable	448,093	0	448,093	0	0
Payment in Lieu of Taxes Receivable	22,061	49,307	71,368	0	0
Notes Receivable	300,000	0	300,000	0	0
Special Assessments Receivable	0	85,406	85,406	0	0
Leases Receivable	5,760	0	5,760	0	0
Net Pension Asset	11,841	18,465	30,306	0	4,529
Net OPEB Asset	242,836	378,539	621,375	0	92,848
Nondepreciable Capital Assets	9,559,251	2,221,208	11,780,459	0	0
Depreciable Capital Assets, Net	16,223,887	23,459,344	39,683,231	0	8,206
Investment in Joint Venture	0	(44,293)	(44,293)	0	0
<b>Total Assets</b>	<b>40,922,090</b>	<b>37,221,124</b>	<b>78,143,214</b>	<b>10,063,330</b>	<b>717,258</b>
<u>Deferred Outflows of Resources</u>					
Pension	2,351,807	486,990	2,838,680	0	187,903
OPEB	653,732	14,143	667,875	0	18,821
<b>Total Deferred Outflows of Resources</b>	<b>3,005,539</b>	<b>501,133</b>	<b>3,506,555</b>	<b>0</b>	<b>206,724</b>
<u>Liabilities</u>					
Accrued Wages Payable	169,905	75,996	245,901	0	17,446
Accounts Payable	65,585	68,958	134,543	0	2,875
Contracts Payable	192,107	1,169	193,276	0	0
Due to Other Governments	183,132	58,067	241,199	0	15,129
Matured Compensated Absences Payable	43,059	0	43,059	0	0
Due to Component Unit	271,444	0	271,444	0	0
Employee Withholdings Payable	40,817	0	40,817	0	0
Unearned Revenue	730,706	0	730,706	0	0
Accrued Interest Payable	9,514	24,828	34,342	0	0
Notes Payable	460,400	1,583,800	2,044,200	0	0
Deposits Held and Due to Others	0	313,690	313,690	0	0
Long-Term Liabilities					
Due Within One Year	272,697	1,045,037	1,317,734	0	19,129
Due in More Than One Year					
Net Pension Liability	6,729,358	1,100,837	7,830,195	0	270,016
Net OPEB Liability	1,056,740	0	1,056,740	0	0
Other Amounts Due in More Than One Year	1,260,819	7,215,690	8,476,509	0	25,001
<b>Total Liabilities</b>	<b>11,486,283</b>	<b>11,488,072</b>	<b>22,974,355</b>	<b>0</b>	<b>349,596</b>
<u>Deferred Inflows of Resources</u>					
Property Taxes	387,753	0	387,753	0	0
Payment in Lieu of Taxes	22,061	49,307	71,368	0	0
Leases	5,491	0	5,491	0	0
Pension	2,877,532	1,412,521	4,289,936	0	329,552
OPEB	625,362	400,399	1,025,761	0	95,931
<b>Total Deferred Inflows of Resources</b>	<b>3,918,199</b>	<b>1,862,227</b>	<b>5,780,309</b>	<b>0</b>	<b>425,483</b>

(continued)

City of Galion  
Statement of Net Position  
Primary Government and Discretely Presented Component Units  
December 31, 2022  
(continued)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities*	Total*	Egbert M. Freese Foundation	City of Galion Board of Health
<u>Net Position</u>					
Net Investment in Capital Assets	\$24,420,781	\$16,924,754	\$41,345,535	\$0	\$8,206
Restricted for					
Capital Projects	1,150,364	0	1,150,364	0	0
Police and Fire	989,334	0	989,334	0	0
Street Maintenance	341,464	0	341,464	0	0
Revolving Loans	95,415	0	95,415	0	0
Recreation	242,444	0	242,444	0	0
Airport	115,913	0	115,913	0	0
Other Purposes	342,319	0	342,319	0	160,626
Pension and OPEB Plans	14,296	19,757	34,053	0	18,867
Unrestricted (Deficit)	810,817	7,427,447	8,238,264	10,063,330	(38,796)
Total Net Position	\$28,523,147	\$24,371,958	\$52,895,105	\$10,063,330	\$148,903

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

See Accompanying Notes to the Basic Financial Statements

City of Galion  
Statement of Activities  
Primary Government and Discretely Presented Component Units  
For the Year Ended December 31, 2022

	Program Revenues			
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities</u>				
<u>Security of Persons and Property</u>				
Police	\$2,349,849	\$29,819	\$7,179	\$0
Fire	2,524,367	534,563	233,849	0
Public Health	5	0	0	0
Health Department Contribution	353,348	0	0	0
Leisure Time Activities	685,623	17,625	1	98,250
Community Environment	1,156,134	0	34,271	419,600
Transportation	1,146,954	346,007	689,462	3,407,954
General Government	1,272,128	32,132	16,593	0
Basic Utility Services	23,582	0	40,093	0
Interest and Fiscal Charges	20,655	0	0	0
Total Governmental Activities	9,532,645	960,146	1,021,448	3,925,804
<u>Business-Type Activities</u>				
Water	1,776,956	2,037,971	0	0
Sewer	1,862,617	1,735,098	0	0
Electric	11,326,003	12,731,905	0	0
Storm Water	508,737	737,407	0	0
Total Business-Type Activities	15,474,313	17,242,381	0	0
Total Primary Government	\$25,006,958	\$18,202,527	\$1,021,448	\$3,925,804
<u>Component Units</u>				
Egbert M. Freese Foundation	\$4,455,245	\$0	\$0	\$0
City of Galion Board of Health	814,282	200,460	771,991	0
Total Discretely Presented Component Units	\$5,269,527	\$200,460	\$771,991	\$0
Total	\$30,276,485	\$18,402,987	\$1,793,439	\$3,925,804

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  
Investment Earnings and Other Interest  
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position (Deficit) 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 Units	
Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation	City of Galion Board of Health
(\$2,312,851)	\$0	(\$2,312,851)	\$0	\$0
(1,755,955)	0	(1,755,955)	0	0
(5)	0	(5)	0	0
(353,348)	0	(353,348)	0	0
(569,747)	0	(569,747)	0	0
(702,263)	0	(702,263)	0	0
3,296,469	0	3,296,469	0	0
(1,223,403)	0	(1,223,403)	0	0
16,511	0	16,511	0	0
(20,655)	0	(20,655)	0	0
(3,625,247)	0	(3,625,247)	0	0
0	261,015	261,015	0	0
0	(127,519)	(127,519)	0	0
0	1,405,902	1,405,902	0	0
0	228,670	228,670	0	0
0	1,768,068	1,768,068	0	0
(3,625,247)	1,768,068	(1,857,179)	0	0
0	0	0	(4,455,245)	0
0	0	0	0	158,169
0	0	0	(4,455,245)	158,169
(3,625,247)	1,768,068	(1,857,179)	(4,455,245)	158,169
488,791	0	488,791	0	0
85,640	0	85,640	0	0
2,967,642	0	2,967,642	0	0
2,640,947	0	2,640,947	0	0
326,694	0	326,694	0	0
448,026	0	448,026	0	0
347,990	0	347,990	0	0
134,711	0	134,711	0	0
(382,569)	0	(382,569)	2,106,904	0
676,879	127,907	804,786	0	77,905
7,734,751	127,907	7,862,658	2,106,904	77,905
(44,126)	44,126	0	0	0
7,690,625	172,033	7,862,658	2,106,904	77,905
4,065,378	1,940,101	6,005,479	(2,348,341)	236,074
24,457,769	22,431,857	46,889,626	12,411,671	(87,171)
<u>\$28,523,147</u>	<u>\$24,371,958</u>	<u>\$52,895,105</u>	<u>\$10,063,330</u>	<u>\$148,903</u>

City of Galion  
Balance Sheet  
Governmental Funds  
December 31, 2022

	General	Police and Fire Levy	Street Maintenance and Repair	Other Governmental	Total Governmental Funds
<u>Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$6,694,630	\$275,117	\$0	\$3,959,032	\$10,928,779
Accounts Receivable	147,128	0	4,580	540	152,248
Accrued Interest Receivable	51,684	0	0	0	51,684
Due from Other Governments	169,285	693	307,031	317,583	794,592
Municipal Income Taxes Receivable	914,372	822,935	0	91,436	1,828,743
Other Local Taxes Receivable	1,935	0	0	18,079	20,014
Interfund Receivable	2,013,886	0	0	0	2,013,886
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	17,461	0	0	0	17,461
Prepaid Items	63,306	34,690	5,701	8,008	111,705
Materials and Supplies Inventory	0	0	91,639	75,368	167,007
Property Taxes Receivable	378,739	0	0	69,354	448,093
Payment in Lieu of Taxes Receivable	0	0	22,061	0	22,061
Notes Receivable	300,000	0	0	0	300,000
Leases Receivable	0	0	0	5,760	5,760
<b>Total Assets</b>	<b>\$10,752,426</b>	<b>\$1,133,435</b>	<b>\$431,012</b>	<b>\$4,545,160</b>	<b>\$16,862,033</b>
<u>Liabilities</u>					
Accrued Wages Payable	\$34,233	\$114,836	\$10,538	\$10,298	\$169,905
Accounts Payable	48,565	0	13,024	3,996	65,585
Contracts Payable	4,996	0	3,424	183,687	192,107
Due to Other Governments	50,214	29,265	6,985	96,668	183,132
Matured Compensated Absences Payable	43,059	0	0	0	43,059
Due to Component Unit	0	0	0	271,444	271,444
Employee Withholdings Payable	40,817	0	0	0	40,817
Interfund Payable	0	0	16,431	1,961,327	1,977,758
Unearned Revenue	0	0	0	730,706	730,706
Accrued Interest Payable	0	0	3,662	2,875	6,537
Notes Payable	0	0	257,900	202,500	460,400
<b>Total Liabilities</b>	<b>221,884</b>	<b>144,101</b>	<b>311,964</b>	<b>3,463,501</b>	<b>4,141,450</b>
<u>Deferred Inflows of Resources</u>					
Property Taxes	327,709	0	0	60,044	387,753
Payment in Lieu of Taxes	0	0	22,061	0	22,061
Leases	0	0	0	5,491	5,491
Unavailable Revenue	1,023,846	627,210	257,332	387,153	2,295,541
<b>Total Deferred Inflows of Resources</b>	<b>1,351,555</b>	<b>627,210</b>	<b>279,393</b>	<b>452,688</b>	<b>2,710,846</b>
<u>Fund Balance</u>					
Nonspendable	80,767	34,690	97,340	83,376	296,173
Restricted	0	327,434	0	1,669,718	1,997,152
Assigned	3,965,679	0	0	0	3,965,679
Unassigned (Deficit)	5,132,541	0	(257,685)	(1,124,123)	3,750,733
<b>Total Fund Balance (Deficit)</b>	<b>9,178,987</b>	<b>362,124</b>	<b>(160,345)</b>	<b>628,971</b>	<b>10,009,737</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$10,752,426</b>	<b>\$1,133,435</b>	<b>\$431,012</b>	<b>\$4,545,160</b>	<b>\$16,862,033</b>

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, 2022

Total Governmental Fund Balance \$10,009,737

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. 25,783,138

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	100,533	
Accrued Interest Receivable	34,044	
Due from Other Governments	707,132	
Municipal Income Taxes Receivable	1,388,912	
Delinquent Property Taxes Receivable	60,340	
Payment in Lieu of Taxes Receivable	<u>4,580</u>	
		2,295,541

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. (2,977)

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

OPWC Loans Payable	(726,604)	
Police Liability	(16,122)	
Fire Liability	(61,114)	
Financed Purchases Payable	(65,097)	
Compensated Absences Payable	<u>(664,579)</u>	
		(1,533,516)

The net pension liability (asset) and net OPEB liability (asset) are not due and payable in the current period; therefore, the asset, liability, and related deferred outflows/inflows are not reported in the governmental funds.

Net Pension Asset	11,841	
Deferred Outflows - Pension	2,351,807	
Deferred Inflows - Pension	(2,877,532)	
Net Pension Liability	(6,729,358)	
Net OPEB Asset	242,836	
Deferred Outflows - OPEB	653,732	
Deferred Inflows - OPEB	(625,362)	
Net OPEB Liability	<u>(1,056,740)</u>	
		<u>(8,028,776)</u>

Net Position of Governmental Activities \$28,523,147

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, 2022

	General	Police and Fire Levy	Street Maintenance and Repair	Other Governmental	Total Governmental Funds
<u>Revenues</u>					
Property Taxes	\$487,180	\$0	\$0	\$85,600	\$572,780
Municipal Income Taxes	2,974,786	2,647,560	0	327,227	5,949,573
Other Local Taxes	448,026	0	0	240,180	688,206
Charges for Services	566,489	0	625	103,278	670,392
Fees, Licenses, and Permits	143,990	0	0	0	143,990
Fines, Forfeitures, and Settlements	5,057	0	5,587	29,018	39,662
Intergovernmental	357,226	0	3,070,746	1,219,351	4,647,323
Investment Earnings and Other Interest	(378,127)	5	(1,236)	(9,385)	(388,743)
Leases	0	0	0	20,481	20,481
Other	164,121	1,115	9,904	517,216	692,356
<b>Total Revenues</b>	<b>4,768,748</b>	<b>2,648,680</b>	<b>3,085,626</b>	<b>2,532,966</b>	<b>13,036,020</b>
<u>Expenditures</u>					
Current:					
Security of Persons and Property					
Police	982,068	1,499,720	0	258,391	2,740,179
Fire	433,771	1,435,080	0	616,914	2,485,765
Public Health					
Health Department Contribution	353,348	0	0	0	353,348
Leisure Time Activities	0	0	0	884,706	884,706
Community Environment	112,163	0	0	1,043,971	1,156,134
Transportation	0	0	3,784,803	1,543,156	5,327,959
General Government	1,580,707	0	0	2,097	1,582,804
Basic Utility Services	0	0	0	63,455	63,455
Debt Service:					
Principal Retirement	76,701	0	0	20,937	97,638
Interest and Fiscal Charges	1,246	0	8,135	9,684	19,065
<b>Total Expenditures</b>	<b>3,540,004</b>	<b>2,934,800</b>	<b>3,792,938</b>	<b>4,443,311</b>	<b>14,711,053</b>
Excess of Revenues Over (Under) Expenditures	1,228,744	(286,120)	(707,312)	(1,910,345)	(1,675,033)
<u>Other Financing Sources (Uses)</u>					
OPWC Loan Issued	0	0	490,000	0	490,000
Inception of Financed Purchase	101,471	0	0	0	101,471
Transfers In	0	97,000	478,053	599,243	1,174,296
Transfers Out	(1,146,616)	0	0	(71,806)	(1,218,422)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,045,145)</b>	<b>97,000</b>	<b>968,053</b>	<b>527,437</b>	<b>547,345</b>
Changes in Fund Balance	183,599	(189,120)	260,741	(1,382,908)	(1,127,688)
Fund Balance (Deficit) Beginning of Year	8,995,388	551,244	(421,086)	2,011,879	11,137,425
Fund Balance (Deficit) End of Year	<u>\$9,178,987</u>	<u>\$362,124</u>	<u>(\$160,345)</u>	<u>\$628,971</u>	<u>\$10,009,737</u>

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, 2022

Changes in Fund Balance - Total Governmental Funds		(\$1,127,688)
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>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.</p>		
Capital Outlay - Nondepreciable Capital Assets	4,406,358	
Capital Outlay - Depreciable Capital Assets	945,850	
Capital Contributions	419,600	
Depreciation	<u>(1,077,211)</u>	4,694,597
<p>The cost of capital assets is removed from the capital asset account on the statement of net position when disposed of resulting in a loss on disposal of capital assets on the statement of activities.</p>		
		(10,690)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	1,651	
Municipal Income Taxes	(14,290)	
Charges for Services	(18,848)	
Fees, Licenses, and Permits	(1,000)	
Intergovernmental	238,110	
Investment Earnings and Other Interest	(3,617)	
Other	<u>(15,477)</u>	186,529
<p>Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.</p>		
OPWC Loans Payable	16,317	
Police Liability	964	
Fire Liability	3,656	
Capital Loan Payable	40,327	
Financed Purchases Payable	<u>36,374</u>	97,638
<p>Debt proceeds and inception of financed purchases are other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position</p>		
OPWC Loans Payable	(490,000)	
Financed Purchases Payable	<u>(101,471)</u>	(591,471)
<p>Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.</p>		
		(1,590)
<p>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.</p>		
		215,043
<p>Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability (asset) are reported as pension expense on the statement of activities.</p>		
Pension	(260,813)	
OPEB	<u>92,537</u>	(168,276)
<p>Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.</p>		
Pension	756,950	
OPEB	<u>14,336</u>	771,286
Change in Net Position of Governmental Activities		<u><u>\$4,065,378</u></u>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$431,000	\$437,499	\$487,180	\$49,681
Municipal Income Taxes	2,750,000	2,919,875	2,992,997	73,122
Other Local Taxes	445,000	470,353	446,695	(23,658)
Charges for Services	700,175	732,156	563,469	(168,687)
Fees, Licenses, and Permits	151,290	159,462	143,990	(15,472)
Fines, Forfeitures, and Settlements	5,120	5,326	3,622	(1,704)
Intergovernmental	307,864	328,729	355,973	27,244
Interest	350,000	327,597	(394,724)	(722,321)
Other	20,500	21,367	15,276	(6,091)
<b>Total Revenues</b>	<b>5,160,949</b>	<b>5,402,364</b>	<b>4,614,478</b>	<b>(787,886)</b>
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	935,557	968,234	908,025	60,209
Fire	520,040	532,540	450,173	82,367
Public Health				
Health Department Contribution	0	353,348	353,348	0
Community Environment	50,250	185,250	118,210	67,040
General Government	2,055,195	2,126,401	1,721,303	405,098
Debt Service:				
Principal Retirement	320,327	320,327	40,327	280,000
Interest and Fiscal Charges	8,121	8,121	1,246	6,875
<b>Total Expenditures</b>	<b>3,889,490</b>	<b>4,494,221</b>	<b>3,592,632</b>	<b>901,589</b>
Excess of Revenues Over Expenditures	1,271,459	908,143	1,021,846	113,703
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	25,000	25,000	149,312	124,312
Other Financing Uses	0	(11,300)	(1,300)	10,000
Proceeds of Notes	195,000	195,000	0	(195,000)
Advances In	314,888	314,888	0	(314,888)
Advances Out	0	(774,151)	(774,151)	0
Transfers Out	(1,577,632)	(1,487,284)	(1,146,616)	340,668
<b>Total Other Financing Sources (Uses)</b>	<b>(1,042,744)</b>	<b>(1,737,847)</b>	<b>(1,772,755)</b>	<b>(34,908)</b>
Changes in Fund Balance	228,715	(829,704)	(750,909)	78,795
Fund Balance Beginning of Year	7,223,957	7,223,957	7,223,957	0
Prior Year Encumbrances Appropriated	266,829	266,829	266,829	0
<b>Fund Balance End of Year</b>	<b>\$7,719,501</b>	<b>\$6,661,082</b>	<b>\$6,739,877</b>	<b>\$78,795</b>

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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		
<u>Revenues</u>				
Municipal Income Taxes	\$2,500,000	\$2,500,000	\$2,663,767	\$163,767
Interest	7	7	5	(2)
Total Revenues	2,500,007	2,500,007	2,663,772	163,765
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,584,473	1,647,074	1,513,560	133,514
Fire	1,454,266	1,478,761	1,448,658	30,103
Total Expenditures	3,038,739	3,125,835	2,962,218	163,617
Excess of Revenues Under Expenditures	(538,732)	(625,828)	(298,446)	327,382
<u>Other Financing Sources</u>				
Other Financing Sources	15,750	15,750	1,063	(14,687)
Transfers In	0	0	97,000	97,000
Total Other Financing Sources	15,750	15,750	98,063	82,313
Changes in Fund Balance	(522,982)	(610,078)	(200,383)	409,695
Fund Balance Beginning of Year	465,874	465,874	465,874	0
Fund Balance (Deficit) End of Year	(\$57,108)	(\$144,204)	\$265,491	\$409,695

See Accompanying Notes to the Basic Financial Statements

City of Galion  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
Street Maintenance and Repair Special Revenue Fund  
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		
<u>Revenues</u>				
Charges for Services	\$0	\$0	\$625	\$625
Intergovernmental	570,000	3,219,791	3,270,160	50,369
Interest	0	0	(1,236)	(1,236)
Other	5,000	5,000	11,365	6,365
Total Revenues	575,000	3,224,791	3,280,914	56,123
<u>Expenditures</u>				
Current:				
Street Maintenance				
Transportation	1,211,488	4,403,779	4,154,140	249,639
Debt Service:				
Principal Retirement	820,100	785,100	536,100	249,000
Interest and Fiscal Charges	16,308	16,308	8,042	8,266
Total Expenditures	2,047,896	5,205,187	4,698,282	506,905
Excess of Revenues Under Expenditures	(1,472,896)	(1,980,396)	(1,417,368)	563,028
<u>Other Financing Sources</u>				
Other Financing Sources	25,000	25,000	4,188	(20,812)
Bond Anticipation Notes Issued	746,100	746,100	257,900	(488,200)
OPWC Loans Issued	0	490,000	490,000	0
Transfers In	500,000	500,000	478,053	(21,947)
Total Other Financing Sources	1,271,100	1,761,100	1,230,141	(530,959)
Changes in Fund Balance	(201,796)	(219,296)	(187,227)	32,069
Fund Balance (Deficit) Beginning of Year	(123,612)	(123,612)	(123,612)	0
Prior Year Encumbrances Appropriated	133,785	133,785	133,785	0
Fund Balance (Deficit) End of Year	(\$191,623)	(\$209,123)	(\$177,054)	\$32,069

See Accompanying Notes to the Basic Financial Statements

City of Galion  
Statement of Fund Net Position  
Enterprise Funds  
December 31, 2022

	Water	Sewer	Electric	Storm Water	Total
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$593,592	\$1,587,972	\$3,385,781	\$1,979,313	\$7,546,658
Accounts Receivable	408,316	325,302	2,242,777	100,897	3,077,292
Due from Other Governments	193	209	168	42	612
Excise Taxes Receivable	0	0	38,958	0	38,958
Prepaid Items	22,236	20,464	19,095	4,857	66,652
Materials and Supplies Inventory	29,600	15,814	0	0	45,414
Payment in Lieu of Taxes Receivable	7,137	14,420	0	27,750	49,307
Special Assessments Receivable	10,970	17,899	0	0	28,869
Total Current Assets	<u>1,072,044</u>	<u>1,982,080</u>	<u>5,686,779</u>	<u>2,112,859</u>	<u>10,853,762</u>
<u>Non-Current Assets</u>					
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	89,246	85,809	138,635	0	313,690
Net Pension Asset	6,275	5,226	5,570	1,394	18,465
Net OPEB Asset	128,561	107,134	114,277	28,567	378,539
Special Assessments Receivable	21,484	35,053	0	0	56,537
Nondepreciable Capital Assets	902,699	1,143,202	165,114	10,193	2,221,208
Depreciable Capital Assets, Net	4,424,986	4,811,253	8,868,156	5,354,949	23,459,344
Investment in Joint Venture	0	0	(44,293)	0	(44,293)
Total Non-Current Assets	<u>5,573,251</u>	<u>6,187,677</u>	<u>9,247,459</u>	<u>5,395,103</u>	<u>26,403,490</u>
Total Assets	<u>6,645,295</u>	<u>8,169,757</u>	<u>14,934,238</u>	<u>7,507,962</u>	<u>37,257,252</u>
<u>Deferred Outflows of Resources</u>					
Pension	169,199	132,582	141,410	48,869	492,060
OPEB	7,353	340	364	9,075	17,132
Total Deferred Outflows of Resources	<u>176,552</u>	<u>132,922</u>	<u>141,774</u>	<u>57,944</u>	<u>509,192</u>
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	27,881	18,341	25,648	4,126	75,996
Accounts Payable	26,743	25,906	9,977	6,332	68,958
Contracts Payable	0	0	0	1,169	1,169
Due to Other Governments	18,269	11,930	24,815	3,053	58,067
Compensated Absences Payable	40,876	25,680	33,011	9,094	108,661
Interfund Payable	0	0	36,128	0	36,128
Accrued Interest Payable	0	9,627	14,182	1,019	24,828
Notes Payable	0	678,000	834,000	71,800	1,583,800
General Obligation Bonds Payable	0	0	214,000	0	214,000
OPWC Loans Payable	7,000	12,685	0	31,285	50,970
OWDA Loans Payable	309,482	304,126	0	0	613,608
AMP Ohio Payable	0	0	57,798	0	57,798
Total Current Liabilities	<u>430,251</u>	<u>1,086,295</u>	<u>1,249,559</u>	<u>127,878</u>	<u>2,893,983</u>

City of Galion  
Statement of Fund Net Position  
Enterprise Funds  
December 31, 2022  
(continued)

	Water	Sewer	Electric	Storm Water	Total
<u>Non-Current Liabilities</u>					
Deposits Held and Due to Others	\$89,246	\$85,809	\$138,635	\$0	\$313,690
Compensated Absences Payable	78,019	39,120	91,559	5,346	214,044
OPWC Loans Payable	7,000	215,655	0	650,755	873,410
OWDA Loans Payable	3,157,061	2,659,980	0	0	5,817,041
AMP Ohio Payable	0	0	311,195	0	311,195
Net Pension Liability	373,869	311,558	332,328	83,082	1,100,837
Total Non-Current Liabilities	3,705,195	3,312,122	873,717	739,183	8,630,217
Total Liabilities	4,135,446	4,398,417	2,123,276	867,061	11,524,200
<u>Deferred Inflows of Resources</u>					
Payment in Lieu of Taxes	7,137	14,420	0	27,750	49,307
Pension	489,320	385,688	410,591	131,992	1,417,591
OPEB	137,227	112,808	119,854	33,499	403,388
Total Deferred Inflows of Resources	633,684	512,916	530,445	193,241	1,870,286
<u>Net Position</u>					
Net Investment in Capital Assets	1,847,142	2,482,209	7,985,270	4,610,133	16,924,754
Restricted for:					
Pension and OPEB Plans	5,289	4,321	4,694	5,453	19,757
Unrestricted	200,286	904,816	4,432,327	1,890,018	7,427,447
Total Net Position	\$2,052,717	\$3,391,346	\$12,422,291	\$6,505,604	\$24,371,958

See Accompanying Notes to the Basic Financial Statements



City of Galion  
Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Enterprise Funds  
For the Year Ended December 31, 2022

	Water	Sewer	Electric	Storm Water	Total
<u>Operating Revenues</u>					
Charges for Services	\$2,037,971	\$1,735,098	\$12,731,905	\$737,407	\$17,242,381
Other	38,584	32,384	41,504	1,535	114,007
Total Operating Revenues	<u>2,076,555</u>	<u>1,767,482</u>	<u>12,773,409</u>	<u>738,942</u>	<u>17,356,388</u>
<u>Operating Expenses</u>					
Salaries	700,494	462,260	603,023	130,980	1,896,757
Benefits	65,643	109,602	62,951	38,274	276,470
Contractual Services	241,714	409,742	10,053,626	69,007	10,774,089
Materials and Supplies	408,839	123,190	160,653	108,534	801,216
Depreciation	245,154	627,645	375,453	159,725	1,407,977
Other	0	5,988	0	0	5,988
Total Operating Expenses	<u>1,661,844</u>	<u>1,738,427</u>	<u>11,255,706</u>	<u>506,520</u>	<u>15,162,497</u>
Operating Income	<u>414,711</u>	<u>29,055</u>	<u>1,517,703</u>	<u>232,422</u>	<u>2,193,891</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest Expense	(115,112)	(124,190)	(48,526)	(2,217)	(290,045)
Gain on Disposal of Capital Assets	0	0	13,900	0	13,900
Loss from Joint Venture	0	0	(21,771)	0	(21,771)
Total Non-Operating Revenues (Expenses)	<u>(115,112)</u>	<u>(124,190)</u>	<u>(56,397)</u>	<u>(2,217)</u>	<u>(297,916)</u>
Income (Loss) before Transfers	299,599	(95,135)	1,461,306	230,205	1,895,975
Transfers In	27,286	44,520	0	0	71,806
Transfers Out	(10,518)	(17,162)	0	0	(27,680)
Changes in Net Position	316,367	(67,777)	1,461,306	230,205	1,940,101
Net Position Beginning of Year	<u>1,736,350</u>	<u>3,459,123</u>	<u>10,960,985</u>	<u>6,275,399</u>	<u>22,431,857</u>
Net Position End of Year	<u>\$2,052,717</u>	<u>\$3,391,346</u>	<u>\$12,422,291</u>	<u>\$6,505,604</u>	<u>\$24,371,958</u>

See Accompanying Notes to the Basic Financial Statements

City of Galion  
Statement of Cash Flows  
Enterprise Funds  
For the Year Ended December 31, 2022

	Water	Sewer	Electric	Storm Water	Total
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$2,002,217	\$1,705,032	\$12,598,214	\$716,053	\$17,021,516
Cash Received from Deposits	16,942	16,992	31,773	0	65,707
Cash Received from Other Revenues	40,468	36,008	55,431	9,220	141,127
Cash Payments for Salaries	(756,610)	(732,387)	(632,408)	(148,120)	(2,269,525)
Cash Payments for Benefits	(322,906)	(312,863)	(309,525)	(80,495)	(1,025,789)
Cash Payments for Contractual Services	(248,802)	(415,972)	(11,951,377)	(72,559)	(12,688,710)
Cash Payments for Materials and Supplies	(420,745)	(140,756)	(159,114)	(107,498)	(828,113)
Cash Payments for Deposits Refunded	(17,090)	(16,640)	(33,441)	0	(67,171)
Cash Payments for Other Expenses	0	(6,240)	0	0	(6,240)
Net Cash Provided by (Used for) Operating Activities	<u>293,474</u>	<u>133,174</u>	<u>(400,447)</u>	<u>316,601</u>	<u>342,802</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	0	(688,200)	(834,000)	(143,600)	(1,665,800)
Principal Paid on General Obligation Bonds	0	0	(952,000)	0	(952,000)
Principal Paid on OPWC Loans	(8,779)	(12,686)	0	(31,285)	(52,750)
Principal Paid on OWDA Loans	(275,549)	(253,512)	0	0	(529,061)
Interest Paid on Bond Anticipation Notes	0	(10,323)	(12,510)	(2,154)	(24,987)
Interest Paid on General Obligation Bonds	0	0	(38,772)	0	(38,772)
Interest Paid on OWDA Loans	(112,311)	(104,251)	0	0	(216,562)
Bond Anticipation Notes Issued	0	678,000	834,000	71,800	1,583,800
Sale of Capital Assets	0	0	13,900	0	13,900
Acquisition of Capital Assets	0	0	(170,618)	(7,024)	(177,642)
Net Cash Used for Capital and Related Financing Activities	<u>(396,639)</u>	<u>(390,972)</u>	<u>(1,160,000)</u>	<u>(112,263)</u>	<u>(2,059,874)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(103,165)</u>	<u>(257,798)</u>	<u>(1,560,447)</u>	<u>204,338</u>	<u>(1,717,072)</u>
Cash and Cash Equivalents Beginning of Year	<u>786,003</u>	<u>1,931,579</u>	<u>5,084,863</u>	<u>1,774,975</u>	<u>9,577,420</u>
Cash and Cash Equivalents End of Year	<u>\$682,838</u>	<u>\$1,673,781</u>	<u>\$3,524,416</u>	<u>\$1,979,313</u>	<u>\$7,860,348</u>

City of Galion  
Statement of Cash Flows  
Enterprise Funds  
For the Year Ended December 31, 2022  
(continued)

	Water	Sewer	Electric	Storm Water	Total
<u>Reconciliation of Operating Income to Net</u>					
<u>Cash Provided by (Used for) Operating Activities</u>					
Operating Income	\$414,711	\$29,055	\$1,517,703	\$232,422	\$2,193,891
<u>Adjustments to Reconcile Operating Income to Net</u>					
<u>Cash Provided by (Used for) Operating Activities</u>					
Depreciation	245,154	627,645	375,453	159,725	1,407,977
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	(35,873)	(30,541)	(137,791)	(21,358)	(225,563)
(Increase) Decrease in Due from Other Governments	20	(9)	51	30	92
Increase in Excise Taxes Receivable	0	0	(619)	0	(619)
Decrease in Interfund Receivable	0	0	17,976	0	17,976
(Increase) Decrease in Prepaid Items	1,946	(3,052)	(1,222)	827	(1,501)
(Increase) Decrease in Materials and Supplies Inventory	2,340	(14,042)	13,957	0	2,255
Decrease in Payment in Lieu of Taxes Receivable	1,868	3,923	0	7,659	13,450
Decrease in Special Assessments Receivable	115	185	0	0	300
Increase (Decrease) in Accrued Wages Payable	3,686	(2,602)	4,528	(2,328)	3,284
Increase (Decrease) in Accounts Payable	(16,101)	14,338	(1,863,807)	(2,773)	(1,868,343)
Decrease in Contracts Payable	(3,850)	(4,375)	0	0	(8,225)
Increase (Decrease) in Due to Other Governments	3,686	181	9,164	(1,986)	11,045
Decrease in Compensated Absences Payable	(59,802)	(267,525)	(33,913)	(14,812)	(376,052)
Increase (Decrease) in Interfund Payable	0	(17,976)	668	0	(17,308)
Increase (Decrease) in Deposits Held and Due to Others	(148)	352	(1,668)	0	(1,464)
Decrease in AMP Ohio Payable	0	0	(49,082)	0	(49,082)
Increase in Net Pension Asset	(716)	(596)	(636)	(159)	(2,107)
Decrease in Net Pension Liability	(21,480)	(17,900)	(19,093)	(4,774)	(63,247)
Decrease in Deferred Outflows - Pension	141,572	115,815	103,868	57,054	418,309
Decrease in Deferred Inflows - Pension	(279,049)	(216,606)	(233,435)	(78,493)	(807,583)
Decrease in Net OPEB Asset	1,864	1,551	1,656	415	5,486
Decrease in Deferred Outflows - OPEB	59,225	51,881	42,903	24,904	178,913
Decrease in Deferred Inflows - OPEB	(165,694)	(136,528)	(147,108)	(39,752)	(489,082)
Net Cash Provided by (Used for) Operating Activities	<u>\$293,474</u>	<u>\$133,174</u>	<u>(\$400,447)</u>	<u>\$316,601</u>	<u>\$342,802</u>

Non-Cash Capital Transactions

At December 31, 2022, the Storm Water enterprise fund had payables related to the acquisition of capital assets, in the amount of \$1,169.

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

See Accompanying Notes to the Basic Financial Statements

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**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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

**A. The City**

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

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

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

**B. Reporting Entity**

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

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

**Discretely Presented Component Unit**

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**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 2022, the City received \$470,841 from the Foundation. Information on the Foundation may be obtained from the Law Offices of Hottenroth, Garverick, Tilson & Co., L.P.A., 126 South Market Street, P.O. Box 477, Galion, Ohio 44833.

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities.

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

Fund Financial Statements

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are reported in two categories; governmental and proprietary.

Governmental Funds

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

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

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

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

Proprietary Funds

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

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

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

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

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

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

C. Measurement Focus

Government-Wide Financial Statements

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



**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; enterprise funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, recording of deferred outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**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 investment earnings and other interest.

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources consists of property taxes, payment in lieu of taxes, leases, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2022, but which were levied to finance 2023 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. The deferred inflow for leases is related to leases receivable and is being recognized as lease revenue in a systematic and rational manner over the term of the lease. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, payment in lieu of taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 19. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and enterprise funds statement of net position and explained in Note 16 and Note 17 to the basic financial statements.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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

E. Budgetary Process

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

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

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by City Council during the year.

F. Cash and Investments

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

During 2022, the City invested in mutual funds, negotiable certificates of deposit, local government securities, federal agency securities, U.S. treasury securities, and STAR Ohio. Investments are reported at fair value. Fair value is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, "Certain External Investment Pools and Pool Participants". The City measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million requiring the excess amount to be transacted the following business day(s) but only to the \$250 million limit. All accounts of the participant will be combined for this purpose.

Investment earnings and other interest revenue are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Investment earnings and other interest revenue credited to the General fund during 2022 was (\$378,127), which includes (\$239,288) 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.

**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.

Restricted assets in the enterprise funds represent amounts held in trust by the pension and OPEB plans for future benefits.

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

I. Inventory

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

J. Capital Assets

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

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

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

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

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

K. Interfund Activity

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

**L. Compensated Absences**

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. The net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient to pay those benefits. OPWC loans, the police and fire liability, capital loans, and financed purchases are recognized as liabilities on the fund financial statements when due.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

N. Net Position

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

O. Leases

The City serves as a lessor in various noncancellable leases which are accounted for as follows:

Lessor - At the commencement of the lease term, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The lease deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

P. 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, 2022**

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**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. 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. The City Council has also assigned fund balance to cover a gap between estimated resources and appropriations in the 2023 budget.

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.

Q. Operating Revenues and Expenses

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

R. OneOhio Opioid Settlement Monies

During 2021, Ohio reached an agreement with the three largest distributors of opioids. Although the settlement has been reached, uncertainties remain related to measurement. As a participating subdivision, the City received the first of eighteen distributions in 2022. This distribution of \$3,803 is reflected as fines, forfeitures, and settlements revenue in the Opioid Settlement special revenue fund in the accompanying financial statements.

S. Capital Contributions

Capital contributions arise from contributions from outside sources.



**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**T. Interfund Transactions**

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

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

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

**U. Pension/Other Postemployment Benefits**

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

**V. 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 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, “Leases” and related guidance from (GASB) Implementation Guide No. 2019-3, “Leases”. The City also implemented GASB Statement No. 91, “Conduit Debt Obligations”, GASB Statement No.92, “Omnibus 2020”, GASB Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans”, and Implementation Guide No. 2020-1.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES** (continued)

GASB Statement 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City’s 2022 financial statements. The City recognized \$25,972 in leases receivable at January 1, 2022, which was offset by the deferred inflows of resources-leases.

GASB Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 92 addresses a variety of topics including reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers and references to nonrecurring fair value measurements of assets or liabilities in authoritative literature. These changes did not impact the City's financial statements.

GASB Statement No. 97, among other items, requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan.

The changes for GASB Statement No. 87, GASB Statement No. 91, and GASB Statement No. 97 were incorporated in the City's financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At December 31, 2022, the following funds had deficit fund balances:

Fund	Deficit
Major Special Revenue Fund	
Street Maintenance and Repair	\$160,345
Nonmajor Special Revenue Funds	
State Highway	70,359
Airport Grants	51,651
Fire Safer Grant	52,344
Airport Coronavirus Relief	9,000
Airport American Rescue Plan	22,000
Airport CARES Act	30,000
Police Pension	25,750
Fire Pension	43,592
	(continued)

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE** (continued)

Fund	Deficit
Nonmajor Debt Service Fund	
Cheshire Special Assessment	\$290,503
Nonmajor Capital Projects Funds	
Leisure Time Capital	100,000
Urban Paving	418,304

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**

The following funds/accounts had expenditures in excess of appropriations for the year ended December 31, 2022.

Fund/Account	Appropriations	Expenditures	Excess
General Fund			
Security of Persons and Property			
Police			
Capital Outlay	\$114,733	\$115,109	\$376
Urban Paving			
Debt Service			
Principal Retirement	0	405,000	405,000
Interest and Fiscal Charges	0	6,075	6,075
Water Fund			
Debt Service			
Principal Retirement	266,649	284,328	17,679
Interest and Fiscal Charges	101,649	112,311	10,662
Sewer Fund			
Debt Service			
Principal Retirement	946,767	954,398	7,631
Interest and Fiscal Charges	108,921	114,574	5,653

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

The Police and Fire Levy and Street Maintenance and Repair special revenue funds had original appropriations in excess of estimated resources plus available balances for the year ended December 31, 2022, in the amount of \$57,108 and \$191,623, respectively.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE** (continued)

The following funds had final appropriations in excess of estimated resources plus available balances for the year ended December 31, 2022.

Fund	Estimated Resources Plus Available Balances	Appropriations	Excess
Police and Fire Levy	\$2,981,631	\$3,125,835	\$144,204
Street Maintenance and Repair	4,996,064	5,205,187	209,123
Law Enforcement Assistance	6,217	6,745	528
State Highway	17,967	122,192	104,225
Airport Grants	889,009	1,467,091	578,082
Fire Safer Grant	500,727	516,276	15,549
Airport Coronavirus Relief	0	9,000	9,000
Airport American Rescue Plan	0	22,000	22,000
Airport CARES Act	0	30,000	30,000
Airport	212,190	310,491	98,301
Cheshire Special Assessment	(15,564)	72,006	87,570
Permanent Improvement	594,537	818,149	223,612
Freese Construction	1,036,159	1,043,584	7,425
Urban Paving	(4,354)	0	4,354

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

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund, and the Police and Fire Levy and Street Maintenance and Repair special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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

	Change in Fund Balance		
	General	Police and Fire Levy	Street Maintenance and Repair
	<u>\$183,599</u>	<u>(\$189,120)</u>	<u>\$260,741</u>
GAAP Basis			
<u>Increase (Decrease) Due To</u>			
Revenue Accruals:			
Accrued 2021, Received in Cash 2022	342,758	212,573	253,755
Accrued 2022, Net Yet Received in Cash	(347,716)	(196,418)	(54,279)
Expenditure Accruals:			
Accrued 2021, Paid in Cash 2022	115,194	(168,326)	(230,175)
Accrued 2022, Net Yet Paid in Cash	(118,933)	144,101	37,633
Cash Adjustments:			
Unrecorded Activity 2021	1,044	0	0
Unrecorded Activity 2022	(857)	0	0
Prepaid Items	8,053	6,433	(8)
Materials and Supplies Inventory	0	0	(16,071)
Bond Anticipation Notes Issued	0	0	257,900
Bond Anticipation Notes Retired	0	0	(536,100)
Advances Out	(774,151)	0	0
Encumbrances Outstanding at Year End (Budget Basis)	<u>(159,900)</u>	<u>(9,626)</u>	<u>(160,623)</u>
Budget Basis	<u><u>(\$750,909)</u></u>	<u><u>(\$200,383)</u></u>	<u><u>(\$187,227)</u></u>

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Investments

Investments are reported at fair value. As of December 31, 2022, the City had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Fair Value - Level One Inputs					
Mutual Funds	\$46,477	\$46,477	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	2,305,648	491,145	439,486	1,375,017	0
Local Government Securities	143,688	0	0	143,688	0
Federal Agricultural Mortgage Corporation Notes	136,176	0	0	0	136,176
Federal Farm Credit Bank Notes	1,858,558	0	490,435	379,596	988,527
Federal Home Loan Bank Notes	1,789,700	395,796	413,546	0	980,358
Federal Home Loan Mortgage Corporation Notes	337,593	0	0	0	337,593
Federal National Mortgage Association Notes	823,869	0	0	0	823,869
U.S. Treasury Notes	4,935,894	380,132	683,654	1,158,322	2,713,786
Total Fair Value - Level Two Inputs	<u>12,331,126</u>	<u>1,267,073</u>	<u>2,027,121</u>	<u>3,056,623</u>	<u>5,980,309</u>
Net Value Per Share STAR Ohio	<u>3,593,361</u>	<u>3,593,361</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Investments	<u><u>\$15,970,964</u></u>	<u><u>\$4,906,911</u></u>	<u><u>\$2,027,121</u></u>	<u><u>\$3,056,623</u></u>	<u><u>\$5,980,309</u></u>

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 6 - DEPOSITS AND INVESTMENTS** (continued)

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2022. The City's investment in mutual funds measured at fair value are valued using quoted market prices (Level 1 inputs). The remainder of the City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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

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

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

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	\$2,305,648	14.44%
Local Government Securities	143,688	0.90
Federal Agricultural Mortgage Corporation	136,176	0.85
Federal Farm Credit Bank	1,858,558	11.64
Federal Home Loan Bank	1,789,700	11.21
Federal Home Loan Mortgage Corporation	337,593	2.11
Federal National Mortgage Association	823,869	5.16
U.S. Treasury Notes	4,935,894	30.91



**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 7 - RECEIVABLES**

Receivables at December 31, 2022, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; excise taxes; interfund; property taxes; payment in lieu of taxes; notes; special assessments; and leases. All receivables are considered collectible in full and within one year, except for municipal income taxes, property taxes, notes, special assessments, and leases. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$300,000, will not be received within one year. Special assessments, in the amount of \$56,358, will not be received within one year. The December 31, 2022, the amount of delinquent special assessments was \$600.

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

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$28,816
Local Government	120,121
Cigarette Tax	373
Crawford County	1,560
Ohio Bureau of Workers' Compensation	338
State of Ohio	4,172
Victims of Crime	13,905
Total General Fund	169,285
Police and Fire Levy	
Ohio Bureau of Workers' Compensation	693
Street Maintenance and Repair	
Crawford County	5,587
Gasoline Tax	262,069
Motor Vehicle License Tax	39,298
Ohio Bureau of Workers' Compensation	77
Total Street Maintenance and Repair	307,031
Total Major Funds	477,009
Nonmajor Funds	
State Highway	
Crawford County	453
Gasoline Tax	21,249
Motor Vehicle License Tax	3,186
Total State Highway	24,888

(continued)

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 7 - RECEIVABLES** (continued)

	<u>Amount</u>
Governmental Activities (continued)	
Nonmajor Funds (continued)	
Recreation	
Galion City School District	\$400
Ohio Bureau of Workers' Compensation	36
Total Recreation	436
FAA Grant	
Ohio Department of Transportation	84,830
Safer Fire Grant	
Ohio Bureau of Workers' Compensation	51
State of Ohio	41,127
Safer Fire Grant Total	41,178
Airport Coronavirus Relief	
Airport Coronavirus Relief	9,000
Airport American Rescue Plan	
Airport American Rescue Plan	22,000
Airport CARES Act	
Airport CARES Act	30,000
Airport	
Ohio Bureau of Workers' Compensation	7
Police Pension	
Homestead and Rollback	2,622
Fire Pension	
Homestead and Rollback	2,622
Leisure Time Capital	
Ohio Department of Natural Resources	100,000
Total Nonmajor Funds	317,583
Total Governmental Activities	\$794,592
	<u>Amount</u>
Business Type Activities	
Major Funds	
Water	
Ohio Bureau of Workers' Compensation	\$193
Sewer	
Ohio Bureau of Workers' Compensation	209
Electric	
Ohio Bureau of Workers' Compensation	168
Storm Water	
Ohio Bureau of Workers' Compensation	42
Total Business Type Activities	\$612

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 7 - RECEIVABLES** (continued)

The City is reporting leases receivable of \$5,760 in other governmental funds at December 31, 2022. This amount represents the discounted future lease payments. This discount is being amortized using the interest method. For 2022, the County recognized lease revenue of \$20,481 and interest revenue of \$269. A description of the City’s lease arrangement is as follows:

Company	Lease Commencement Date	Years	Lease Ending Date	Payment Method
Airport Hangars	2019	5	2023	Monthly

A summary of future lease revenue is as follows:

Year	Principal	Interest
2023	\$5,491	\$35

**NOTE 8 - MUNICIPAL INCOME TAXES**

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

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

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

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

**NOTE 9 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2022 represent the collection of 2021 taxes. Real property taxes received in 2022 were levied after October 1, 2021, on the assessed values as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 9 - PROPERTY TAXES** (continued)

Public utility property tax revenues received in 2022 represent the collection of 2021 taxes. Public utility real and tangible personal property taxes received in 2022 became a lien on December 31, 2020, were levied after October 1, 2021, 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, 2022, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2022 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, 2022, was \$3.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2022 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural	\$568,330
Residential	100,428,180
Commercial	22,039,550
Industrial	7,412,970
Public Utility Property	
Real	66,230
Personal	2,951,690
Total Assessed Value	\$133,466,950

**NOTE 10 - PAYMENT IN LIEU OF TAXES**

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 11 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,499,016	\$0	\$0	\$3,499,016
Construction in Progress	1,870,089	4,406,358	(216,212)	6,060,235
Total Nondepreciable Capital Assets	<u>5,369,105</u>	<u>4,406,358</u>	<u>(216,212)</u>	<u>9,559,251</u>
Depreciable Capital Assets				
Buildings	1,411,292	486,875	0	1,898,167
Improvements Other Than Buildings	2,923,310	416,176	0	3,339,486
Streets	32,148,589	534,242	(382,757)	32,300,074
Bridges	1,236,330	0	0	1,236,330
Equipment	1,911,107	0	0	1,911,107
Vehicles	3,265,392	144,369	0	3,409,761
Total Depreciable Capital Assets	<u>42,896,020</u>	<u>1,581,662</u>	<u>(382,757)</u>	<u>44,094,925</u>
Less Accumulated Depreciation for				
Buildings	(742,747)	(29,104)	0	(771,851)
Improvements Other Than Buildings	(938,981)	(131,734)	0	(1,070,715)
Streets	(21,779,928)	(659,472)	372,067	(22,067,333)
Bridges	(820,994)	(24,727)	0	(845,721)
Equipment	(1,165,974)	(81,058)	0	(1,247,032)
Vehicles	(1,717,270)	(151,116)	0	(1,868,386)
Total Accumulated Depreciation	<u>(27,165,894)</u>	<u>(1,077,211)</u>	<u>372,067</u>	<u>(27,871,038)</u>
Total Depreciable Capital Assets, Net	<u>15,730,126</u>	<u>504,451</u>	<u>(10,690)</u>	<u>16,223,887</u>
Governmental Activities Capital Assets, Net	<u>\$21,099,231</u>	<u>\$4,910,809</u>	<u>(\$226,902)</u>	<u>\$25,783,138</u>

Governmental funds accepted contributions of capital assets from outside sources with a fair value of \$419,600.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 11 - CAPITAL ASSETS** (continued)

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$2,211,015	\$0	\$0	\$2,211,015
Construction in Progress	3,501	6,692	0	10,193
Total Nondepreciable Capital Assets	<u>2,214,516</u>	<u>6,692</u>	<u>0</u>	<u>2,221,208</u>
Depreciable Capital Assets				
Buildings	20,223,967	0	0	20,223,967
Improvements Other Than Buildings Water, Sewer, Electric, and Storm Water Lines	7,599,975	0	0	7,599,975
Equipment	20,018,765	0	0	20,018,765
Vehicles	3,872,201	0	0	3,872,201
Total Depreciable Capital Assets	<u>53,191,149</u>	<u>170,618</u>	<u>(44,859)</u>	<u>53,316,908</u>
Less Accumulated Depreciation for				
Buildings	(15,321,078)	(593,088)	0	(15,914,166)
Improvements Other Than Buildings Water, Sewer, Electric, and Storm Water Lines	(3,470,687)	(140,747)	0	(3,611,434)
Equipment	(5,794,279)	(460,688)	0	(6,254,967)
Vehicles	(2,963,039)	(155,656)	0	(3,118,695)
Total Accumulated Depreciation	<u>(28,494,446)</u>	<u>(1,407,977)</u>	<u>44,859</u>	<u>(29,857,564)</u>
Total Depreciable Capital Assets, Net	<u>24,696,703</u>	<u>(1,237,359)</u>	<u>0</u>	<u>23,459,344</u>
Business-Type Activities Capital Assets, Net	<u>\$26,911,219</u>	<u>(\$1,230,667)</u>	<u>\$0</u>	<u>\$25,680,552</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$39,299
Security of Persons and Property - Fire	115,222
Public Health	5
Leisure Time Activities	107,068
Transportation	804,663
General Government	10,954
Tota Depreciation Expense - Governmental Activities	<u>\$1,077,211</u>

**NOTE 12 - INTERFUND RECEIVABLES/PAYABLES**

At December 31, 2022, the General Fund had an interfund receivable, in the amount of \$2,013,886; \$16,431 from the Street Maintenance and Repair special revenue fund and \$1,961,327 from other governmental funds for short-term loans made to those funds, and \$36,128 from the Electric enterprise fund for services provided to that fund.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 13 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Public Entities Pool of Ohio, a public entity shared risk pool. The City pays an annual premium to the pool for various types of insurance coverage. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2022, the City had the following insurance coverage:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$49,918,780	\$1,000
Personal Property	788,325	1,000
Flood/Earthquake	1,000,000	50,000
General Liability		
Per Occurrence	6,000,000	0
Employee Benefits Liability	1,000,000	1,000
Law Enforcement Liability	6,000,000	5,000
Automobile Liability	6,000,000	0
Cyber Liability	6,000,000	0
Crime Coverage	6,000,000	1,000

There has been no significant reduction in insurance coverage from 2021 and no insurance settlement has exceeded insurance coverage during the last three years.

**NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS**

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2022:

Vendor	Contract Amount	Amount Paid as of 12/31/22	Outstanding Balance
Buckeye IT Services, LLC	\$11,150	\$0	\$11,150
Crawford Construction, Inc.	208,000	182,021	25,979
CXT Inc.	49,563	0	49,563
D & K Hathaway, LLC	75,000	0	75,000
Galion Girls Summer Softball Association	4,425	0	4,425
GPD Group	287,871	146,063	141,808
Grainger Inc.	980	0	980
H&H Concessions, LLC	25,000	0	25,000
Henry W. Bergman, Inc.	54,872	47,128	7,744
Jess Howard Electric Company	475,065	427,378	47,687

(continued)

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS** (continued)

Vendor	Contract Amount	Amount Paid as of 12/31/22	Outstanding Balance
Makeever and Associates, Inc.	\$107,180	\$57,743	\$49,437
McMahon DeGulis, LLP	10,000	4,620	5,380
Mull & Weithman Architects, Inc.	42,652	34,609	8,043
Norstan Communications, Inc.	6,495	0	6,495
Ohio Treasurer of State	112,000	0	112,000
Penchura, LLC	82,425	0	82,425
Shelly & Sands, Inc.	1,000,841	795,229	205,612
Tecta America Corp	32,964	0	32,964
Wallace & Pancher, Inc.	344,595	207,763	136,832

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2023 are as follows:

General Fund	\$159,900
Police and Fire Levy	9,626
Street Maintenance and Repair	160,623
Other Governmental Funds	911,200

**NOTE 15 - ASSET RETIREMENT OBLIGATION**

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

**NOTE 16 - DEFINED BENEFIT PENSION PLANS**

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

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

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



**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a net pension/OPEB asset or a long-term net pension/OPEB liability on the accrual basis of accounting. Any liability for the contractually required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable*. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

**Ohio Public Employees Retirement System (OPERS)**

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	<b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Traditional Plan Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Traditional Plan Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Traditional Plan Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment. The options for Public Safety and Law Enforcement permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

When a traditional plan benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Effective January 1, 2022, the Combined Plan is no longer available for member selection.

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2022 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
<b>2022 Actual Contribution Rates</b>			
Employer:			
Pension ****	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

- \* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
- \*\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- \*\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
- \*\*\*\* These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2022, the City's contractually required contribution was \$444,091 for the traditional plan, \$4,655 for the combined plan and \$4,952 for the member-directed plan. Of these amounts, \$69,069 is reported as an intergovernmental payable for the traditional plan, \$830 for the combined plan, and \$771 for the member-directed plan.

**Ohio Police & Fire Pension Fund (OP&F)**

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F Annual Comprehensive Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries under optional plans, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

	Police	Firefighters
<b>2022 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2022 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$581,579 for 2022. Of this amount, \$111,779 is reported as an intergovernmental payable.

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

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.02076951%	0.00769167%	0.09641030%	
Prior Measurement Date	0.02141518%	0.00770206%	0.09440810%	
Change in Proportionate Share	-0.00064567%	-0.00001039%	0.00200220%	
Proportionate Share of the:				
Net Pension Liability	\$1,807,036	\$0	\$6,023,159	\$7,830,195
Net Pension Asset	0	\$30,306	0	\$30,306
Pension Expense	(\$298,448)	(\$1,689)	\$379,697	\$79,560

2022 pension expense for the member-directed defined contribution plan was \$4,952. The aggregate pension expense for all pension plans was \$84,512 for 2022.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$92,120	\$188	\$173,673	\$265,981
Changes of assumptions	225,968	1,523	1,100,775	1,328,266
Changes in proportion and differences between City contributions and proportionate share of contributions	36,494	511	177,103	214,108
City contributions subsequent to the measurement date	<u>444,091</u>	<u>4,655</u>	<u>581,579</u>	<u>1,030,325</u>
Total Deferred Outflows of Resources	<u>\$798,673</u>	<u>\$6,877</u>	<u>\$2,033,130</u>	<u>\$2,838,680</u>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$39,632	\$3,389	\$313,121	\$356,142
Net difference between projected and actual earnings on pension plan investments	2,149,398	6,497	1,579,179	3,735,074
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>79,895</u>	<u>1,516</u>	<u>117,309</u>	<u>198,720</u>
Total Deferred Inflows of Resources	<u>\$2,268,925</u>	<u>\$11,402</u>	<u>\$2,009,609</u>	<u>\$4,289,936</u>

\$1,030,325 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
2023	(\$304,769)	(\$2,118)	\$17,323	(\$289,564)
2024	(762,246)	(2,882)	(435,894)	(1,201,022)
2025	(505,411)	(1,932)	(167,665)	(675,008)
2026	(341,917)	(1,466)	(107,086)	(450,469)
2027	0	(363)	135,264	134,901
Thereafter	0	(419)	0	(419)
Total	<u>(\$1,914,343)</u>	<u>(\$9,180)</u>	<u>(\$558,058)</u>	<u>(\$2,481,581)</u>

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2 percent down to 6.9 percent, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, prepared as of December 31, 2021, reflecting experience study results, are presented below:



**City of Galion**  
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**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	2.75 percent	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	3.0 percent, simple through 2022, then 2.05 percent, simple	3.0 percent, simple through 2022, then 2.05 percent, simple
Investment Rate of Return	6.9 percent	6.9 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Key actuarial assumptions and methods used in the prior actuarial valuation, prepared as of December 31, 2020, are presented below:

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3.0 percent, simple	3.0 percent, simple
Post-January 7, 2013 Retirees	0.5 percent, simple through 2021, then 2.15 percent, simple	0.5 percent, simple through 2021, then 2.15 percent, simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized below:

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
<b>Total</b>	<b>100.00%</b>	<b>4.21%</b>

Discount Rate - The discount rate used to measure the total pension liability for the current year was 6.9 percent for the traditional plan and the combined plan. The discount rate for the prior year was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 6.9 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
<b>City's proportionate share of the net pension liability (asset)</b>			
OPERS Traditional Plan	\$4,764,318	\$1,807,036	(\$653,824)
OPERS Combined Plan	(\$22,614)	(\$30,306)	(\$36,305)

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

**Actuarial Assumptions - OP&F**

OP&F's total pension liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered are: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2021, are presented below.

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2021, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	21.00	3.60
Non-US Equity	14.00	4.40
Private Markets	8.00	6.80
Core Fixed Income *	23.00	1.10
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds*	17.00	0.80
Midstream Energy Infrastructure	5.00	5.00
Real Assets	8.00	5.90
Gold	5.00	2.40
Private Real Estate	12.00	4.80
Total	125.00 %	

Note: Assumptions are geometric.

\* levered 2x

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS** (continued)

Discount Rate - For 2021, the total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return of 7.50 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$8,932,259	\$6,023,159	\$3,600,595

**NOTE 17 - DEFINED BENEFIT OPEB PLANS**

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

**Ohio Public Employees Retirement System (OPERS)**

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

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

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS. For those retiring on or after January 1, 2015, the allowance has been determined by applying a percentage to the base allowance. The percentage applied is based on years of qualifying service credit and age when the retiree first enrolled in OPERS health care. Monthly allowances range between 51 percent and 90 percent of the base allowance. Those who retired prior to January 1, 2015, will have an allowance of at least 75 percent of the base allowance.

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

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60. Members in Group A are eligible for coverage at any age with 30 or more years of qualifying service. Members in Group B are eligible at any age with 32 years of qualifying service, or at age 52 with 31 years of qualifying service. Members in Group C are eligible for coverage with 32 years of qualifying service and a minimum age of 55. Current retirees eligible (or who became eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,981 for 2022. Of this amount, \$308 is reported as an intergovernmental payable.

**Ohio Police & Fire Pension Fund (OP&F)**

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

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



**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

Regardless of a benefit recipient's participation in the health care program, OP&F is required by law to pay eligible recipients of a service pension, disability benefit and spousal survivor benefit for their Medicare Part B insurance premium, up to the statutory maximum provided the benefit recipient is not eligible to receive reimbursement from any other source. Once OP&F receives the necessary documentation, a monthly reimbursement is included as part of the recipient's next benefit payment. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

OP&F maintains funds for health care in two separate accounts: one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. IRS Code Section 401(h) account is maintained for Medicare Part B reimbursements.

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2022, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded.

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

The City's contractually required contribution to OP&F was \$13,562 for 2022. Of this amount, \$2,600 is reported as an intergovernmental payable.

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2021, and was determined by rolling forward the total OPEB liability as of January 1, 2021, to December 31, 2021. The City's proportion of the net OPEB liability (asset) was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.01983861%	0.09641030%	
Prior Measurement Date	<u>0.02045042%</u>	<u>0.09440810%</u>	
Change in Proportionate Share	<u>-0.00061181%</u>	<u>0.00200220%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$0	\$1,056,740	\$1,056,740
Net OPEB Asset	\$621,375	\$0	\$621,375
OPEB Expense	(\$511,618)	\$115,605	(\$396,013)

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$0	\$48,072	\$48,072
Changes of assumptions	0	467,746	467,746
Changes in proportion and differences between City contributions and proportionate share of contributions	25,358	111,156	136,514
City contributions subsequent to the measurement date	<u>1,981</u>	<u>13,562</u>	<u>15,543</u>
Total Deferred Outflows of Resources	<u>\$27,339</u>	<u>\$640,536</u>	<u>\$667,875</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$94,255	\$139,663	\$233,918
Changes of assumptions	251,525	122,734	374,259
Net difference between projected and actual earnings on OPEB plan investments	296,228	95,459	391,687
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>10,294</u>	<u>15,603</u>	<u>25,897</u>
Total Deferred Inflows of Resources	<u>\$652,302</u>	<u>\$373,459</u>	<u>\$1,025,761</u>

\$15,543 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability or an increase in the net OPEB asset in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2023	(\$378,440)	\$72,750	(\$305,690)
2024	(141,236)	58,578	(82,658)
2025	(64,724)	62,375	(2,349)
2026	(42,544)	10,226	(32,318)
2027	0	23,424	23,424
Thereafter	<u>0</u>	<u>26,162</u>	<u>26,162</u>
Total	<u>(\$626,944)</u>	<u>\$253,515</u>	<u>(\$373,429)</u>

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

**Actuarial Assumptions - OPERS**

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used for 2021 compared to those used for 2020 are as follows:

	December 31, 2021	December 31, 2020
Wage Inflation	2.75 percent	3.25 percent
Projected Salary Increases,	2.75 to 10.75 percent	3.25 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	1.84 percent	2.00 percent
Health Care Cost Trend Rate	5.5 percent, initial	8.5 percent, initial
	3.50 percent, ultimate in 2034	3.50 percent, ultimate in 2035
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2021, pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

For 2020, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above-described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3 percent for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	<u>100.00%</u>	<u>3.45%</u>

Discount Rate - A single discount rate of 6.0 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	<u>1% Decrease (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
City's proportionate share of the net OPEB asset	\$365,427	\$621,375	\$833,817

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB asset	\$628,090	\$621,375	\$613,410

**Actuarial Assumptions - OP&F**

OP&F’s total OPEB liability as of December 31, 2021, is based on the results of an actuarial valuation date of January 1, 2021, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

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

Valuation Date	January 1, 2021, with actuarial liabilities rolled forward to December 31, 2021
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.5 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	3.25 percent
Blended discount rate:	
Current measurement date	2.84 percent
Prior measurement date	2.96 percent
Cost of Living Adjustments	2.2 percent simple per year

In February 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for the 2020 measurement period to 7.5 percent for the 2021 measurement period.

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

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

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

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

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

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



**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 17 - DEFINED BENEFIT OPEB PLANS** (continued)

Discount Rate - For 2021, the total OPEB liability was calculated using the discount rate of 2.84 percent. For 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 7.5 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.05 percent at December 31, 2021, and 2.12 percent at December 31, 2020, was blended with the long-term rate of 7.5 percent for 2021 and 8 percent for 2020, which resulted in a blended discount rate of 2.84 percent for 2021 and 2.96 percent for 2020. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 2.84 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.84 percent), or one percentage point higher (3.84 percent) than the current rate.

	1% Decrease (1.84%)	Current Discount Rate (2.84%)	1% Increase (3.84%)
City's proportionate share of the net OPEB liability	\$1,328,345	\$1,056,740	\$833,479

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 18 - OTHER EMPLOYEE BENEFITS**

**A. Health Care Benefits**

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

**B. Compensated Absences**

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

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

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

**NOTE 19 - NOTES PAYABLE**

The City's note transactions for the year ended December 31, 2022, were as follows:

	Interest Rate	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022
<u>Governmental Activities</u>					
General Obligation Bond Anticipation					
Notes from Direct Placement					
Special Revenue Funds					
Brandt Road	1.50%	\$536,100	\$0	\$536,100	\$0
Brandt Road	3.16%	0	257,900	0	257,900
Urban Paving	1.50%	405,000	0	405,000	0
Urban Paving	3.16%	0	202,500	0	202,500
Total Governmental Activities		<u>\$941,100</u>	<u>\$460,400</u>	<u>\$941,100</u>	<u>\$460,400</u>

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 19 - NOTES PAYABLE** (continued)

	Interest Rate	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022
<u>Business-Type Activities</u>					
General Obligation Bond Anticipation					
Notes from Direct Placements					
Enterprise Funds					
Screw Pump	1.50%	\$408,400	\$0	\$408,400	\$0
Screw Pump	3.16%	0	398,200	0	398,200
State Route 61 Lift Station	1.50%	279,800	0	279,800	0
State Route 61 Lift Station	3.16%	0	279,800	0	279,800
Electric Distribution System	1.50%	834,000	0	834,000	0
Electric Distribution System	3.16%	0	834,000	0	834,000
Brandt Road	1.50%	143,600	0	143,600	0
Brandt Road	3.16%	0	71,800	0	71,800
Total Business-Type Activities		<u>\$1,665,800</u>	<u>\$1,583,800</u>	<u>\$1,665,800</u>	<u>\$1,583,800</u>

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

The bond anticipation notes in the Street Maintenance and Repair special revenue fund, in the amount of \$257,900, were issued on July 20, 2022, through a direct placement to partially retire notes previously issued for the Brandt Road improvements. The notes mature on July 20, 2023.

The bond anticipation notes in the Urban Paving capital projects fund, in the amount of \$202,500, were issued on July 20, 2022, through a direct placement to retire notes previously issued for road improvements on State Route 19. The notes mature on July 20, 2023.

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$678,000, were issued on July 20, 2022, through a direct placement; \$398,200 to retire notes previously issued to purchase a screw pump and \$279,800 to retire notes previously issued for the State Route 61 lift station. The notes mature on July 20, 2023. As of December 31, 2022, \$398,200 was not capitalized.

The bond anticipation notes in the Electric enterprise fund, in the amount of \$834,000, were issued on July 20, 2022, through a direct placement to retire notes previously issued to upgrade the electric distribution system. The notes mature on July 20, 2023.

The bond anticipation notes in the Storm Water enterprise fund, in the amount of \$71,800, were issued on July 20, 2022, through a direct placement to retire notes previously issued for the Brandt Road improvements. The notes mature on July 21, 2023.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 20 - LONG-TERM OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2022, was as follows:

	Interest Rate	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
<b><u>Governmental Activities</u></b>						
Net Pension Liability						
Ohio Public Employees Retirement System		\$1,211,441	\$0	\$505,242	\$706,199	\$0
Ohio Police and Fire Pension		6,435,886	0	412,727	6,023,159	0
Total Net Pension Liability		7,647,327	0	917,969	6,729,358	0
Net OPEB Liability						
Ohio Police and Fire Pension		1,000,270	56,470	0	1,056,740	0
OPWC Loans from Direct Borrowings						
Portland Way South	0.00%	252,921	0	16,317	236,604	16,317
Portland Way North	0.00%	0	490,000	0	490,000	0
Total OPWC Loans		252,921	490,000	16,317	726,604	16,317
Police Liability	5.00%	17,086	0	964	16,122	1,006
Fire Liability	5.00%	64,770	0	3,656	61,114	3,814
Capital Loans Payable (Fire Truck)	2.99%	40,327	0	40,327	0	0
Financed Purchases Payable from Direct Borrowings	7.74%	0	101,471	36,374	65,097	31,336
Compensated Absences		879,622	0	215,043	664,579	220,224
Total Governmental Activities		\$9,902,323	\$647,941	\$1,230,650	\$9,319,614	\$272,697
<b><u>Business-Type Activities</u></b>						
General Obligation Bonds from Direct Placements						
2007 Electric Improvement (Original Amount \$8,952,000)	5.25%	\$1,041,000	\$0	\$827,000	\$214,000	\$214,000
2011 Electric Improvement (Original Amount \$2,500,000)	2.15%	125,000	0	125,000	0	0
Total General Obligation Bonds		1,166,000	0	952,000	214,000	214,000
Net Pension Liability						
Ohio Public Employees Retirement System		1,959,683	0	858,846	1,100,837	0

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 20 - LONG-TERM OBLIGATIONS** (continued)

	Interest Rate	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
<b><u>Business-Type Activities</u></b> (continued)						
OPWC Loans from						
Direct Borrowings						
Railroad Street Waterline (Original Amount \$71,104)	0.00%	\$1,779	\$0	\$1,779	\$0	\$0
West End Waterline (Original Amount \$140,000)	0.00%	21,000	0	7,000	14,000	7,000
Southeast Storm Sewer (Original Amount \$693,209)	0.00%	566,121	0	23,107	543,014	23,107
Southeast Storm Sewer - Phase II (Original Amount \$163,560)	0.00%	147,204	0	8,178	139,026	8,178
Charles Street Sanitary Sewer and Lift Station (Original Amount \$253,712)	0.00%	241,026	0	12,686	228,340	12,685
Total OPWC Loans		<u>977,130</u>	<u>0</u>	<u>52,750</u>	<u>924,380</u>	<u>50,970</u>
OWDA Loans from						
Direct Borrowings						
#3508 Water Treatment (Original Amount \$3,924,637)	2.00%	1,646,240	0	142,386	1,503,854	145,248
#4088 Cheshire Subdivision (Original Amount \$983,863)	3.98%	201,177	0	64,434	136,743	67,024
#4089 Sewer System Improvement (Original Amount \$1,600,253)	3.98%	1,055,045	0	57,601	997,444	59,916
#4090 Cheshire (Original Amount \$1,232,112)	3.98%	753,472	0	41,136	712,336	42,790
#4091 Water System Improvement (Original Amount \$2,218,464)	3.98%	1,356,656	0	74,067	1,282,589	77,045
#4732 WWTP Bio-Solids (Original Amount \$2,762,322)	3.20%	1,299,921	0	143,351	1,156,570	148,441
#4873 Water Tank Rehabilitation (Original Amount \$679,864)	4.61%	310,497	0	38,528	271,969	40,325
#6273 WWTP Influent Upgrade (Original Amount \$655,098)	2.57%	401,136	0	31,992	369,144	32,819
Total OWDA Loans		<u>7,024,144</u>	<u>0</u>	<u>593,495</u>	<u>6,430,649</u>	<u>613,608</u>
Compensated Absences Payable		698,757	(110,419)	265,633	322,705	108,661
AMP Ohio Payable		418,075	8,716	57,798	368,993	57,798
Total Business-Type Activities		<u>\$12,243,789</u>	<u>(\$101,703)</u>	<u>\$2,780,522</u>	<u>\$9,361,564</u>	<u>\$1,045,037</u>

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 20 - LONG-TERM OBLIGATIONS** (continued)

2007 Electric Improvement General Obligation Bonds

On December 21, 2007, the City issued \$8,952,000 in unvoted general obligation bonds through a direct placement to retire the Electric Improvement Loan, in the amount of \$4,927,000, and to upgrade an electric substation and the related distribution system. The bonds are being retired from the Electric enterprise fund. The bonds will mature on January 15, 2023. As of December 31, 2022, all of the proceeds have been spent.

2011 Electric Improvement General Obligation Bonds

On October 27, 2011, the City issued \$2,500,000 in unvoted general obligation bonds through a direct placement to improve the City's electric distribution system. The bonds are being retired from the Electric enterprise fund. The bonds matured during 2022. As of December 31, 2022, all of the proceeds have been spent.

Net Pension/OPEB Liability

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

OPWC Loans

OPWC loans are general obligations of the City and consist of monies owed to the Ohio Public Works Commission for street improvements and for replacement of water lines and sewer lines. The loans are interest free. The loans will be repaid from the Street Maintenance and Repair special revenue fund and the Water, Sewer, and Storm Water enterprise funds to the extent resources are available.

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

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for improvements to water and sewer lines and upgrades to the City's water and sewer treatment plants. OWDA loans are payable solely from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the loans is \$7,685,690. Principal and interest paid in the Water and Sewer enterprise funds for the current year were \$387,860 and \$357,763, respectively. The net revenues for the Water and Sewer enterprise funds were \$659,865 and \$656,700, respectively.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 20 - LONG-TERM OBLIGATIONS** (continued)

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

Police and Fire Liability

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

Capital Loan Payable

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

Financed Purchase Payable

On July 8, 2022, the City entered into a financed purchase agreement for the purchase of vehicles, in the amount of \$101,471. The agreement has an interest rate of 7.74 percent. The City is paying the loan in equal annual payments over a two year period with final maturity on July 8, 2024. The agreement is being repaid from resources of the General Fund.

Compensated Absences Payable

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

AMP Ohio Payable

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

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
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**NOTE 20 - LONG-TERM OBLIGATIONS** (continued)

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

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 \$12,761,929 at December 31, 2022.

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

Year	Governmental Activities				
	Direct Borrowings			Direct Borrowings	
	OPWC	Police and Fire Pension		Financed Purchase	
	Loans	Principal	Interest	Principal	Interest
	Principal	Principal	Interest	Principal	Interest
2023	\$16,317	\$4,820	\$3,231	\$31,336	\$5,038
2024	16,318	5,026	3,025	33,761	2,613
2025	16,317	5,242	2,809	0	0
2026	16,318	5,468	2,583	0	0
2027	16,317	5,702	2,349	0	0
2028 to 2032	81,588	32,403	7,852	0	0
2033 to 2037	73,429	18,575	1,184	0	0
	\$236,604	\$77,236	\$23,033	\$65,097	\$7,651



**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 20 - LONG-TERM OBLIGATIONS** (continued)

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

Year	Business-Type Activities					
	Direct Borrowings					
	General		OPWC		AMP Ohio	
	Obligation Bonds		Loans		Payable	
	Principal	Interest	Principal	Principal	Interest	Principal
2023	\$214,000	\$2,809	\$50,970	\$613,608	\$204,814	\$57,798
2024	0	0	50,970	634,447	185,002	57,798
2025	0	0	43,971	583,520	165,190	57,798
2026	0	0	43,970	602,980	146,836	57,798
2027	0	0	43,971	623,136	127,828	57,798
2028 to 2032	0	0	219,852	2,540,655	366,447	80,003
2033 to 2037	0	0	219,853	832,303	58,924	0
2038 to 2042	0	0	169,949	0	0	0
2043 to 2046	0	0	80,874	0	0	0
	<u>\$214,000</u>	<u>\$2,809</u>	<u>\$924,380</u>	<u>\$6,430,649</u>	<u>\$1,255,041</u>	<u>\$368,993</u>

**NOTE 21 - FUND BALANCE**

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

Fund Balance	General	Police and Fire Levy	Street Maintenance and Repair	Other Governmental Funds
Nonspendable for:				
Prepaid Items	\$63,306	\$34,690	\$5,701	\$8,008
Materials and Supplies Inventory	0	0	91,639	75,368
Unclaimed Monies	17,461	0	0	0
Total Nonspendable	<u>80,767</u>	<u>34,690</u>	<u>97,340</u>	<u>83,376</u>
Restricted for:				
Drug Enforcement	0	0	0	82,541
Economic Development and Rehabilitation	0	0	0	125,860
Opioid Settlement	0	0	0	3,803
Park Improvements	0	0	0	567,994
Park Operations	0	0	0	180,325
Permanent Improvements	0	0	0	571,175
Police and Fire Operations	0	327,434	0	38,854

(continued)

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 21 - FUND BALANCE** (continued)

Fund Balance	General	Police and Fire Levy	Street Maintenance and Repair	Other Governmental Funds
Restricted for (continued):				
Street Construction and Maintenance	\$0	\$0	\$0	\$43,388
Visitor's Bureau	0	0	0	55,778
<b>Total Restricted</b>	<b>0</b>	<b>327,434</b>	<b>0</b>	<b>1,669,718</b>
Assigned for:				
Projected Budget Shortage	3,839,041	0	0	0
Unpaid Obligations	126,638	0	0	0
<b>Total Assigned</b>	<b>3,965,679</b>	<b>0</b>	<b>0</b>	<b>0</b>
Unassigned (Deficit)	5,132,541	0	(257,685)	(1,124,123)
<b>Total Fund Balance</b>	<b>\$9,178,987</b>	<b>\$362,124</b>	<b>(\$160,345)</b>	<b>\$628,971</b>

**NOTE 22 - INTERNAL BALANCES AND TRANSFERS**

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

Eliminations made in the business-type activities column related to pension include deferred outflows of resources and deferred inflows of resources, in the amount of \$5,070.

Eliminations made in the business-type activities column related to OPEB include deferred outflows of resources and deferred inflows of resources, in the amount of \$2,989.

Eliminations made in the total column of the government-wide statement of net position include deferred outflows of resources - pension and deferred inflows of resources - pension, in the amount of \$117.

During 2022, the General Fund made transfers to the Police and Fire Levy and Street Maintenance and Repair special revenue funds, and other governmental funds, in the amount of \$97,000, \$478,053, and \$571,563, 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 \$44,520, respectively, to move receipts as debt payments came due.

The Water and Sewer enterprise funds made transfers to other governmental funds, in the amount of \$10,518 and \$17,162, respectively, to move special assessment revenue related to Water and Sewer funds.

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

**NOTE 23 - EGBERT M. FREESE FOUNDATION**

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

The Foundation's resources are invested in various securities as determined by the Board of Trustees. As of December 31, 2022, the Foundation's investments consisted of the following:

	Fair Value
Equities	\$6,871,094
Fixed Income	1,686,370
Real Assets	503,932
Alternative Income	405,151
Cash Equivalents	596,783
	\$10,063,330

**NOTE 24 - CITY OF GALION BOARD OF HEALTH**

A. Summary of Significant Accounting Policies

Reporting Entity

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

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

Basis of Presentation

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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

**B. Receivables**

Receivables at December 31, 2022, consisted of intergovernmental receivables arising from grants, contributions, Medicaid billings, and interfund receivables. All receivables are considered collectible and in full within one year. At December, 31, 2022, intergovernmental receivables consisted of grants, in the amount of \$66,897, and Medicaid billings, in the amount of \$13,861.

**C. Capital Assets**

The Board of Health had capital assets of equipment, in the amount of \$14,359, as of December 31, 2022. Accumulated depreciation was \$6,153 and net capital assets of \$8,206.

**D. Risk Management**

The Board of Health participates in the Public Entities Pool of Ohio, a public entity shared risk pool. The Board of Health pays an annual premium to the pool for insurance coverage. Members agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2022, the Board of Health had general liability insurance coverage of \$6,000,000.

**E. Long-Term Obligations**

The Board of Health's long-term obligations activity for the year ended December 31, 2022, was as follows.

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Due Within One Year
Net Pension Liability	\$391,937	\$0	\$121,921	\$270,016	\$0
Compensated Absences Payable	21,361	23,170	401	44,130	19,129
Total	<u>\$413,298</u>	<u>\$23,170</u>	<u>\$122,322</u>	<u>\$314,146</u>	<u>\$19,129</u>

**NOTE 25 - PUBLIC ENTITY SHARED RISK POOL**

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 25 - PUBLIC ENTITY SHARED RISK POOL** (continued)

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

**NOTE 26 - JOINT VENTURE**

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

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

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

The City's investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's investment in JV2 was a deficit of \$44,293 at December 31, 2022. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at [www.ohioauditor.gov](http://www.ohioauditor.gov).

**NOTE 27 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 27 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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

**B. Regional Income Tax Agency (RITA)**

The Regional Income Tax Agency (RITA) is a regional council of governments formed to establish a central collection facility for administering income tax laws of the members and for collecting income taxes on behalf of each member. RITA currently has approximately three hundred fifty members in the council of governments. Each member has one representative to the council of governments and is entitled to one vote on items under consideration. RITA is administered by a nine member board of trustees elected by the members of the council of governments. The board exercises total control over RITA's operations including budgeting, appropriating, contracting, and designating management. Each participant's degree of control is limited to its representation on the council. For 2022, the City's total cost for income tax collection services is not yet available; however, these costs are not expected to differ significantly from 2021. For 2021, the City paid \$172,485 for tax collection services.

**NOTE 28 - RELATED ORGANIZATIONS**

**A. Galion Public Library**

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

**B. Galion Port Authority**

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

**City of Galion**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2022**

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**NOTE 29 - CONTINGENT LIABILITIES**

**A. Litigation**

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

**B. Federal and State Grants**

For the period January 1, 2022, to December 31, 2022, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

**NOTE 30 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2022, the City received COVID-19 funding. The City will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

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

During 2022, activity includes \$34,000 which was subgranted to other governments and organizations and \$3,470 returned to the granting agency reflected in the applicable special revenue funds.

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

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.02076951%	0.02141518%	0.02062800%	0.21055500%
City's Proportionate Share of the Net Pension Liability	\$1,807,036	\$3,171,124	\$4,077,263	\$5,766,673
City's Covered Payroll	\$3,083,436	\$3,050,071	\$2,902,393	\$3,159,907
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	58.60%	103.97%	140.48%	182.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%

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

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

See Notes to the Required Supplementary Information



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2018	2017	2016	2015	2014
0.02372200%	0.02385800%	0.02393400%	0.02308100%	0.02308100%
\$3,721,521	\$5,417,745	\$4,145,670	\$2,783,827	\$2,720,949
\$3,134,954	\$3,082,733	\$2,983,957	\$2,829,850	\$2,549,462
118.71%	175.74%	138.93%	98.37%	106.73%
84.66%	77.25%	81.08%	86.45%	86.36%

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

	2022	2021	2020	2019
City's Proportion of the Net Pension Asset	0.00769167%	0.00770206%	0.06799500%	0.00620370%
City's Proportionate Share of the Net Pension Asset	\$30,306	\$22,232	\$14,177	\$6,938
City's Covered Payroll	\$31,929	\$34,321	\$30,264	\$29,479
City's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	94.92%	64.78%	46.84%	23.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	169.88%	157.67%	145.28%	126.64%

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

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

See Notes to the Required Supplementary Information

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2018

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0.00643200%

\$8,755

\$26,346

33.23%

137.28%

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

	2022	2021	2020	2019
City's Proportion of the Net Pension Liability	0.09641030%	0.09440810%	0.09500420%	0.09793500%
City's Proportionate Share of the Net Pension Liability	\$6,023,159	\$6,435,886	\$6,399,990	\$7,994,083
City's Covered Payroll	\$2,425,784	\$2,283,670	\$2,223,558	\$2,144,400
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	248.30%	281.82%	287.83%	372.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.03%	70.65%	69.89%	63.07%

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

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

See Notes to the Required Supplementary Information

2018	2017	2016	2015	2014
0.09480700%	0.09312600%	0.09875600%	0.09833180%	0.09833180%
\$5,818,734	\$5,898,508	\$6,353,043	\$5,093,998	\$4,789,067
\$2,062,044	\$1,998,757	\$1,980,560	\$1,925,161	\$1,819,529
282.18%	295.11%	320.77%	264.60%	263.20%
70.91%	68.36%	66.77%	71.71%	73.00%

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

	2022	2021	2020	2019
City's Proportion of the Net OPEB Liability (Asset)	0.01983861%	0.02045042%	0.01967580%	0.02005740%
City's Proportionate Share of the Net OPEB Liability (Asset)	(\$621,375)	(\$364,341)	\$2,717,738	\$2,615,012
City's Covered Payroll	\$3,160,665	\$3,127,492	\$2,972,607	\$3,232,586
City's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered Payroll	-19.66%	-11.65%	91.43%	80.90%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%

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

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

See Notes to the Required Supplementary Information

2018	2017
0.02261000%	0.02279000%
\$2,455,280	\$2,301,867
\$3,202,000	\$3,147,758
76.68%	73.13%
54.14%	54.04%

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

	2022	2021	2020	2019
City's Proportion of the Net OPEB Liability	0.09641030%	0.09440810%	0.09500420%	0.09793500%
City's Proportionate Share of the Net OPEB Liability	\$1,056,740	\$1,000,270	\$938,427	\$891,849
City's Covered Payroll	\$2,425,784	\$2,283,670	\$2,223,558	\$2,144,400
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	43.56%	43.80%	42.20%	41.59%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.90%	45.40%	47.08%	46.57%

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

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

See Notes to the Required Supplementary Information



<u>2018</u>	<u>2017</u>
0.09480700%	0.09312600%
\$5,371,632	\$4,420,482
\$2,062,044	\$1,998,757
260.50%	221.16%
14.13%	15.96%

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

	2022	2021	2020	2019
<b>Net Pension Liability - Traditional Plan</b>				
Contractually Required Contribution	\$444,091	\$431,681	\$427,010	\$406,335
Contributions in Relation to the Contractually Required Contribution	<u>(444,091)</u>	<u>(431,681)</u>	<u>(427,010)</u>	<u>(406,335)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,172,079	\$3,083,436	\$3,050,071	\$2,902,393
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net Pension Asset - Combined Plan</b>				
Contractually Required Contribution	\$4,655	\$4,470	\$4,805	\$4,237
Contributions in Relation to the Contractually Required Contribution	<u>(4,655)</u>	<u>(4,470)</u>	<u>(4,805)</u>	<u>(4,237)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$33,250	\$31,929	\$34,321	\$30,264
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
<b>Net OPEB Liability/Asset - OPEB Plan (1)</b>				
Contractually Required Contribution	\$1,981	\$1,812	\$1,724	\$1,598
Contributions in Relation to the Contractually Required Contribution	<u>(1,981)</u>	<u>(1,812)</u>	<u>(1,724)</u>	<u>(1,598)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$3,254,854	\$3,160,665	\$3,127,492	\$2,972,607
OPEB Contributions as a Percentage of Covered Payroll	<u>0.04%</u>	<u>0.04%</u>	<u>0.04%</u>	<u>0.04%</u>

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

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

See Notes to the Required Supplementary Information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$442,387	\$407,544	\$369,928	\$358,075	\$339,582	\$331,430
<u>(442,387)</u>	<u>(407,544)</u>	<u>(369,928)</u>	<u>(358,075)</u>	<u>(339,582)</u>	<u>(331,430)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$3,159,907	\$3,134,954	\$3,082,733	\$2,983,958	\$2,829,850	\$2,549,462
<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$4,127	\$3,425	\$3,717			
<u>(4,127)</u>	<u>(3,425)</u>	<u>(3,717)</u>			
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>			
\$29,479	\$26,346	\$30,975			
<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>			
\$1,728	\$33,241	\$63,636			
<u>(1,728)</u>	<u>(33,241)</u>	<u>(63,636)</u>			
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>			
\$3,232,586	\$3,202,000	\$3,147,758			
<u>0.04%</u>	<u>1.02%</u>	<u>2.04%</u>			

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

	2022	2021	2020	2019
<b>Net Pension Liability</b>				
Contractually Required Contribution	\$581,579	\$517,241	\$486,751	\$473,318
Contributions in Relation to the Contractually Required Contribution	<u>(581,579)</u>	<u>(517,241)</u>	<u>(486,751)</u>	<u>(473,318)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,712,362	\$2,425,784	\$2,283,670	\$2,223,558
Contributions as a Percentage of Covered Payroll	21.44%	21.32%	21.31%	21.29%
<b>Net OPEB Liability</b>				
Contractually Required Contribution	\$13,562	\$12,129	\$11,419	\$11,118
Contributions in Relation to the Contractually Required Contribution	<u>(13,562)</u>	<u>(12,129)</u>	<u>(11,419)</u>	<u>(11,118)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,712,362	\$2,425,784	\$2,283,670	\$2,223,558
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

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

See Notes to the Required Supplementary Information

2018	2017	2016	2015	2014	2013
\$457,054	\$440,179	\$425,129	\$423,223	\$411,512	\$332,016
<u>(457,054)</u>	<u>(440,179)</u>	<u>(425,129)</u>	<u>(423,223)</u>	<u>(411,512)</u>	<u>(332,016)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,144,400	\$2,062,044	\$1,998,757	\$1,980,559	\$1,925,160	\$1,819,530
21.31%	21.35%	21.27%	21.37%	21.38%	18.25%
\$10,722	\$10,310	\$9,994	\$9,903	\$9,626	\$65,807
<u>(10,722)</u>	<u>(10,310)</u>	<u>(9,994)</u>	<u>(9,903)</u>	<u>(9,626)</u>	<u>(65,807)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,144,400	\$2,062,044	\$1,998,757	\$1,980,559	\$1,925,160	\$1,819,530
0.50%	0.50%	0.50%	0.50%	0.50%	3.62%

**City of Galion**  
**Notes to the Required Supplementary Information**  
**For the Year Ended December 31, 2022**

**Changes in Assumptions - OPERS Pension - Traditional Plan**

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	<u>2022</u>	<u>2019 through 2021</u>	<u>2018 and 2017</u>	<u>2016 and prior</u>
Wage Inflation	2.75 percent	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases	2.75 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:				
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2022	3.0 percent, simple through 2022 then 2.05 percent, simple
2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2022 use pre-retirement mortality rates based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170 percent of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all these tables.

**City of Galion**  
**Notes to the Required Supplementary Information**  
**For the Year Ended December 31, 2022**

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

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

**Changes in Assumptions - OPERS Pension - Combined Plan**

	<u>2022</u>	<u>2019 through 2021</u>	<u>2018</u>
Wage Inflation	2.75 percent	3.25 percent	3.25 percent
Future Salary Increases	2.75 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:			
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	see below	see below	see below
Investment Rate of Return	6.9 percent	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

For 2022, 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013, retirees as the Traditional Plan.

**City of Galion**  
**Notes to the Required Supplementary Information**  
**For the Year Ended December 31, 2022**

**Changes in Assumptions - OP&F Pension**

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

	<u>Beginning in 2018</u>	<u>2017 and Prior</u>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	3.25 percent per annum, compounded annually, consisting of Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

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

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

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

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.



**City of Galion**  
**Notes to the Required Supplementary Information**  
**For the Year Ended December 31, 2022**

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**Changes in Assumptions - OPERS OPEB**

Wage Inflation:	
2022	2.75 percent
2021 and prior	3.25 percent
Projected Salary Increases (including wage inflation):	
2022	2.75 to 10.75 percent
2021 and prior	3.25 to 10.75 percent
Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2022	1.84 percent
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2022	6.00 percent
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2022	5.5 percent, initial 3.5 percent, ultimate in 2034
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

**Changes in Assumptions - OP&F OPEB**

Blended Discount Rate:	
2022	2.84 percent
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

For 2022, the OP&F Board adopted a change in the investment rate of return, changing it from 8 percent for 2018 through 2021 to 7.5 percent for 2022.

**City of Galion**  
**Notes to the Required Supplementary Information**  
**For the Year Ended December 31, 2022**

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**Changes in Benefit Terms - OPERS OPEB**

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

**Changes in Benefit Terms - OP&F OPEB**

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

**CITY OF GALION  
CRAWFORD COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program / Cluster Title</b>	<b>Federal AL Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed Through Ohio Attorney General's Office</i>			
Crime Victim Assistance	16.575	2023-VOCA-135104524	\$ 15,176
<b>Total U.S. Department of Justice</b>			<b>15,176</b>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Direct Program</i>			
Airport Improvement Program	20.106	N/A	904,587
<b>Total U.S. Department of Transportation</b>			<b>904,587</b>
<b>U.S. DEPARTMENT OF TREASURY</b>			
<i>Passed Through Ohio Office of Budget and Management</i>			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	68,278
<b>Total U.S. Department of Treasury</b>			<b>68,278</b>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<i>Direct Program</i>			
Assistance to Firefighters	97.044	N/A	3,930
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	214,933
<b>Total U.S. Department of Homeland Security</b>			<b>218,863</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,206,904</b>

*The accompanying notes are an integral part of this schedule.*

**CITY OF GALION  
CRAWFORD COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Galion, Crawford County (the City) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D - MATCHING REQUIREMENTS**

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

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

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

To the Members of Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 10, 2024. Our report includes a reference to other auditors who audited the financial statements of the City of Galion Board of Health, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Report on Internal Control Over Financial Reporting***

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

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

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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

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



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

January 10, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

To the Members of Council:

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

***Opinion on the Major Federal Program***

We have audited the **City of Galion's**, Crawford County, (the City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City of Galion's major federal program for the year ended December 31, 2022. City of Galion's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, the City of Galion complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

The City's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.



Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
*Marietta, Ohio*

January 10, 2024

**CITY OF GALION  
CRAWFORD COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
DECEMBER 31, 2022**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weakness in internal control reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR §200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	AL #20.106 Airport Improvement Program
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF GALION  
CRAWFORD COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 4/2/2024**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)