

**CITY OF GALION
CRAWFORD COUNTY
Regular Audit
For the Year Ended December 31, 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 19, 2014

This page intentionally left blank.

City of Galion
Crawford County
Table of Contents

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual - General Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – Police and Fire Levy Special Revenue Fund	21
Statement of Fund Net Position – Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds.....	26
Statement of Fiduciary Assets and Liabilities – Agency Funds.....	30
Notes to the Basic Financial Statements.....	31
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	71

Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

November 7, 2014

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Galion**, Crawford County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Galion, Crawford County, Ohio, as of December 31, 2013, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the General and Police and Fire Levy Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



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

This Page Intentionally Left Blank

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
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, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2013 are as follows:

In total, the City's net position increased 6 percent from the prior year; 2 percent for governmental activities and 10 percent for business-type activities.

General revenues made up 75 percent of the total revenues for governmental activities in 2013, of which, 50 percent was provided through municipal income taxes, the most critical of the City's revenue sources.

USING THIS ANNUAL REPORT

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

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

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General Fund, the Police and Fire Levy special revenue fund, 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 2013. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

Proprietary Funds - The City has two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities on the government-wide financial statements and use the accrual basis of accounting. The City uses enterprise funds to account for water, sewer, electric, and storm water operations. The internal service fund is an accounting device used to accumulate and allocate internal costs among other programs and activities. The City's internal service fund accounts for the City's self-insured program for employee dental and vision benefits.

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2013 and 2012.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<u>Assets</u>						
Current and Other Assets	\$11,926,481	\$11,517,988	\$23,349,502	\$22,710,670	\$35,275,983	\$34,228,658
Capital Assets, Net	14,370,992	15,133,750	28,708,711	28,647,703	43,079,703	43,781,453
Total Assets	<u>26,297,473</u>	<u>26,651,738</u>	<u>52,058,213</u>	<u>51,358,373</u>	<u>78,355,686</u>	<u>78,010,111</u>
<u>Liabilities</u>						
Current and Other Liabilities	438,895	735,222	1,751,574	2,362,501	2,190,469	3,097,723
Long-Term Liabilities	2,179,515	2,736,922	21,963,034	23,280,367	24,142,549	26,017,289
Total Liabilities	<u>2,618,410</u>	<u>3,472,144</u>	<u>23,714,608</u>	<u>25,642,868</u>	<u>26,333,018</u>	<u>29,115,012</u>
<u>Deferred Inflows of Resources</u>	<u>359,695</u>	<u>364,903</u>	<u>0</u>	<u>0</u>	<u>359,695</u>	<u>364,903</u>
<u>Net Position</u>						
Net Investment in Capital Assets	13,072,880	13,982,142	11,425,768	10,979,630	24,498,648	24,961,772
Restricted	3,348,449	3,810,404	0	0	3,348,449	3,810,404
Unrestricted	6,898,039	5,022,145	16,917,837	14,735,875	23,815,876	19,758,020
Total Net Position	<u>\$23,319,368</u>	<u>\$22,814,691</u>	<u>\$28,343,605</u>	<u>\$25,715,505</u>	<u>\$51,662,973</u>	<u>\$48,530,196</u>

Governmental activities had an overall increase in net position of 2 percent from the prior year, not a significant change. The decrease in net capital assets and the investment in capital assets is due to annual depreciation expense. The decrease in current and other liabilities is due, in part, to the timing of payroll dates and a reduction in the accrued wage liability as of year end as well as to the retirement of bond anticipation notes related to the purchase of a dump truck and for street improvements. The City also fully retired the local government revenue anticipation notes; debt that was issued for cash flow purposes when the City was declared in fiscal emergency. The decrease in long-term liabilities simply represents annual principal retirement.

The most significant changes for business-type activities were also debt related. Bond anticipation notes (current and other liabilities) issued for water, sewer, and storm water improvements were paid down and the City's long-term obligations were reduced by almost \$1.9 million (annual principal payments).

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 2 reflects the change in net position for 2013 and 2012.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$1,388,952	\$1,461,914	16,245,429	\$17,182,159	\$17,634,381	\$18,644,073
Operating Grants, Contributions, and Interest	811,005	736,835	0	0	811,005	736,835
Capital Grants and Contributions	43,760	193,998	0	0	43,760	193,998
Total Program Revenues	2,243,717	2,392,747	16,245,429	17,182,159	18,489,146	19,574,906
General Revenues						
Property Taxes Levied for General Purposes	297,245	358,261	0	0	297,245	358,261
Property Taxes Levied for Police and Fire Pension	54,155	65,234	0	0	54,155	65,234
Municipal Income Taxes Levied for General Purposes	2,278,500	2,000,730	0	0	2,278,500	2,000,730
Municipal Income Taxes Levied for Police and Fire	2,028,091	1,777,718	0	0	2,028,091	1,777,718
Municipal Income Taxes Levied for Recreation	250,403	223,014	0	0	250,403	223,014
Other Local Taxes	433,096	469,946	0	0	433,096	469,946
Grants and Entitlements not Restricted to Specific Programs	330,385	542,428	0	0	330,385	542,428
Franchise Fees	123,721	128,956	0	0	123,721	128,956
Interest	3,512	24,369	557	4,303	4,069	28,672
Other	1,102,918	620,049	240,596	289,287	1,343,514	909,336
Total General Revenues	6,902,026	6,210,705	241,153	293,590	7,143,179	6,504,295
Total Revenues	9,145,743	8,603,452	16,486,582	17,475,749	25,632,325	26,079,201
<u>Program Expenses</u>						
Security of Persons and Property						
Police	1,892,266	1,833,718	0	0	1,892,266	1,833,718
Fire	1,904,445	1,939,221	0	0	1,904,445	1,939,221
Public Health	431,111	483,271	0	0	431,111	483,271
Leisure Time Activities	249,120	227,646	0	0	249,120	227,646
Community Environment	352,954	157,830	0	0	352,954	157,830
Transportation	2,055,467	1,753,591	0	0	2,055,467	1,753,591
General Government	1,722,879	1,274,710	0	0	1,722,879	1,274,710
Interest and Fiscal Charges	68,746	97,312	0	0	68,746	97,312
Water	0	0	1,764,857	1,863,078	1,764,857	1,863,078
Sewer	0	0	1,815,966	1,908,812	1,815,966	1,908,812
Electric	0	0	9,936,597	10,695,238	9,936,597	10,695,238
Storm Water	0	0	305,140	438,154	305,140	438,154
Total Expenses	8,676,988	7,767,299	13,822,560	14,905,282	22,499,548	22,672,581

(continued)

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Increase in Net Position Before Transfers	\$468,755	\$836,153	\$2,664,022	\$2,570,467	\$3,132,777	\$3,406,620
Transfers	35,922	61,684	(35,922)	(61,684)	0	0
Increase in Net Position	504,677	897,837	2,628,100	2,508,783	3,132,777	3,406,620
Net Position Beginning of Year	22,814,691	21,916,854	25,715,505	23,206,722	48,530,196	45,123,576
Net Position End of Year	<u>\$23,319,368</u>	<u>\$22,814,691</u>	<u>\$28,343,605</u>	<u>\$25,715,505</u>	<u>\$51,662,973</u>	<u>\$48,530,196</u>

The above table reflects the revenues and expenses for operating the City for the past two years. For governmental activities, there was a 6 percent increase in total revenues. The most significant change for program revenues was the decrease in capital grants and contributions. The City received grant resources in the prior year for a street improvement project. The most significant change for general revenues was the increase in other revenues due to reimbursements made to the General Fund.

Governmental activities expenses increased almost 12 percent. A substantial portion of this increase can be attributed to separation related payments due to individuals leaving employment with the City and retirements. Note that police and fire operations account for 44 percent of the City's total expenses and the street department operations account for another 24 percent of total expenses. These three departments, along with the basic costs of city operations (administration, receipt collections, paying bills, etc.), account for 87 percent of all of the City's governmental expenses.

As is to be expected, 99 percent of the revenues for business-type activities are received through charges for services provided to the users of the systems. Charges for services revenue decreased 5 percent from the prior year. These charges are based on user demand for water and electric; sewer charges are based on water consumption.

By far, the electric distribution system is the City's largest utility as demonstrated by the costs to operate the system. Expenses decreased for the water, sewer, and electric utilities correlating to the decrease in revenue based on demand. In addition, contractual services costs were lower in 2013 (generally related to purchase of power costs).

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Security of Persons and Property				
Police	\$1,892,266	\$1,833,718	\$1,834,947	\$1,787,148
Fire	1,904,445	1,939,221	1,335,979	1,277,642
Public Health	431,111	483,271	208,990	290,153
Leisure Time Activities	249,120	227,646	240,741	217,305
Community Environment	352,954	157,830	31,826	1,563
Transportation	2,055,467	1,753,591	1,312,540	857,665
General Government	1,722,879	1,274,710	1,399,502	845,764
Interest and Fiscal Charges	68,746	97,312	68,746	97,312
Total Expenses	<u>\$8,676,988</u>	<u>\$7,767,299</u>	<u>\$6,433,271</u>	<u>\$5,374,552</u>

While the dependence on general revenues to pay for the various services provided by the City is significant, program revenues in several of the programs provide for a considerable portion of the costs. For example, charges for services provide for 27 percent of the costs of providing fire services. These charges are for local ambulance services as well as the amount charged to Polk Township for fire/ambulance services. Charges for services and operating grants provide for 52 percent of public health costs. Operating and capital grants provided for 91 percent of the costs of the community environment program, generally in the form of community development block grants and revolving loan monies for various community rehabilitation projects. Charges for services and various grants and contributions provided for 36 percent of the costs of the transportation program. The transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and the Police and Fire Levy special revenue fund. The General Fund experienced a 21 percent increase in fund balance in 2013. Revenues and expenditures remained fairly comparable to the prior year; however, there was a significant decrease in resources transferred to other funds to subsidize operations in those funds. In 2012, over \$2 million was transferred to other funds (in large part, to eliminate the deficit fund balance that had existed in the Street Maintenance Fund). In 2013, only \$786,000 was used to subsidize other funds operations.

Fund balance decreased 40 percent in the Police and Fire Levy Fund. The City is attempting to utilize the majority of these resources annually to fully use the voted levy proceeds for the intended purpose and to reduce the General Fund's contribution towards these services.

CITY OF GALION
Crawford County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water, Sewer, Electric, and Storm Water funds. As can be seen on the statement of revenues, expenses, and changes in fund net position, all four funds experienced an operating income in 2013.

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

The change in net position for the Water and Sewer funds from the prior year was not significant. Although the Electric Fund reflects an 18 percent increase in net position, this balance continues to reflect almost \$2.8 million in debt proceeds that have yet to be spent on distribution system upgrades. For the Storm Water Fund, both revenues and expenses remained similar to the prior year. The increase in fund balance is due to the accumulation of resources for future storm water projects.

BUDGETARY HIGHLIGHTS

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

The City's most significant budgeted fund is the General Fund. For revenues, there was no change from the original budget to the final budget. Changes from the final budget to actual revenues were not significant. For expenditures, the change from the original budget to the final budget was not significant. Actual expenditures were 17 percent less than budgeted due to budgeting conservatively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2013, was \$14,370,992 and \$28,708,711, respectively (net of accumulated depreciation). Significant additions for governmental activities included street improvements, a police cruiser, and two snow plows. The primary additions for business-type activities consisted of continued improvements at the wastewater treatment plant and on the electric distribution system, storm water line replacement, and a tractor. For further information regarding the City's capital assets, refer to Note 10 to the basic financial statements.

Debt - At December 31, 2013, the City had \$297,516 in bond anticipation notes payable from business-type activities. The City also had a number of long-term obligations outstanding including \$770,000 in bond anticipation notes, \$8,664,000 in general obligation bonds, \$293,287 in Ohio Public Works Commission loans, and \$11,393,101 in Ohio Water Development Authority loans. Of this debt, \$19,921,867 will be paid from business-type activities.

CITY OF GALION

Crawford County

Management's Discussion and Analysis

For the Year Ended December 31, 2013

Unaudited

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

CURRENT ISSUES

From January 1986 through May 2013, the City operated as a charter municipal corporation. In May 2013, the electors voted to return to a statutory form of government which became effective on June 1, 2013. A second election, ordered by the County Prosecutor, took place in November 2013 at which the electorate reelected the original slate of City officers with the exception of the Director of Law. Throughout the form of government transition, the City continued to meet all payroll and vendor obligations to make the transition as seamless as possible. Since the initial installation of City officers, there have been several resignations from city council due to job changes or personal reasons, most notably the resignation of the President of Council. Since February 2014, a much smoother operation of the departments and of city council has been observed.

Since the change in government, several long awaited projects have begun or moved rapidly forward. The widening project of State Route 598 (Portland Way North and South) has begun after several years of planning. A new road, Hesby Drive, was planned in 2013 with an estimated completion in the summer of 2014. This road will allow for better traffic flow during the State Route 598 widening project and will improve access to the Galion City School District campus.

A reorganization of the service department has improved City services for street repair, storm and sanitary sewer maintenance, and the many city parks. The utility billing department has begun an online bill payment program that has met with success. A new City website is under development with a launch expected in early 2015.

REQUEST FOR INFORMATION

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

City of Galion
Statement of Net Position
December 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$9,494,211	\$19,741,040	\$29,235,251	\$0
Investments in Segregated Accounts	0	0	0	10,107,076
Accounts Receivable	149,521	2,467,620	2,617,141	0
Due from Other Governments	382,405	0	382,405	0
Municipal Income Taxes Receivable	1,024,517	0	1,024,517	0
Other Local Taxes Receivable	14,885	0	14,885	0
Excise Taxes Receivable	0	33,063	33,063	0
Internal Balances	269,670	(269,670)	0	0
Prepaid Items	22,058	18,725	40,783	0
Materials and Supplies Inventory	58,660	15,067	73,727	0
Property Taxes Receivable	416,331	0	416,331	0
Notes Receivable	94,223	0	94,223	0
Special Assessments Receivable	0	339,826	339,826	0
Nondepreciable Capital Assets	4,589,370	5,399,475	9,988,845	0
Depreciable Capital Assets, Net	9,781,622	23,309,236	33,090,858	0
Investment in Joint Venture	0	1,003,831	1,003,831	0
Total Assets	26,297,473	52,058,213	78,355,686	10,107,076
<u>Liabilities</u>				
Accrued Wages Payable	21,342	9,087	30,429	0
Matured Compensated Absences Payable	53,733	0	53,733	0
Accounts Payable	50,827	837,719	888,546	0
Contracts Payable	78,283	30,148	108,431	0
Due to Other Governments	211,320	88,695	300,015	0
Retainage Payable	0	138,010	138,010	0
Accrued Interest Payable	21,620	77,543	99,163	0
Notes Payable	0	297,516	297,516	0
Claims Payable	1,770	0	1,770	0
Deposits Held and Due to Others	0	272,856	272,856	0
Long-Term Liabilities				
Due Within One Year	1,273,194	1,614,726	2,887,920	0
Due in More Than One Year	906,321	20,348,308	21,254,629	0
Total Liabilities	2,618,410	23,714,608	26,333,018	0
<u>Deferred Inflows or Resources</u>				
Property Taxes	359,695	0	359,695	0
<u>Net Position</u>				
Net Investment in Capital Assets	13,072,880	11,425,768	24,498,648	0
Restricted for				
Debt Service	1,210	0	1,210	0
Capital Projects	132,106	0	132,106	0
Police and Fire	811,073	0	811,073	0
Revolving Loans	1,054,783	0	1,054,783	0
Street Construction and Maintenance	932,830	0	932,830	0
Other Purposes	416,447	0	416,447	0
Unrestricted	6,898,039	16,917,837	23,815,876	10,107,076
Total Net Position	\$23,319,368	\$28,343,605	\$51,662,973	\$10,107,076

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues			
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$1,892,266	\$34,773	\$22,546	\$0
Fire	1,904,445	521,626	46,840	0
Public Health	431,111	196,995	25,126	0
Leisure Time Activities	249,120	7,779	600	0
Community Environment	352,954	0	312,685	8,443
Transportation	2,055,467	304,402	403,208	35,317
General Government	1,722,879	323,377	0	0
Interest and Fiscal Charges	68,746	0	0	0
Total Governmental Activities	8,676,988	1,388,952	811,005	43,760
<u>Business-Type Activities</u>				
Water	1,764,857	1,842,956	0	0
Sewer	1,815,966	2,096,249	0	0
Electric	9,936,597	11,575,110	0	0
Storm Water	305,140	731,114	0	0
Total Business-Type Activities	13,822,560	16,245,429	0	0
Total Primary Government	\$22,499,548	\$17,634,381	\$811,005	\$43,760
<u>Component Unit</u>				
Egbert M. Freese Foundation	\$552,824	\$0	\$0	\$0
Total	\$23,052,372	\$17,634,381	\$811,005	\$43,760

General Revenues

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation
(\$1,834,947)	\$0	(\$1,834,947)	\$0
(1,335,979)	0	(1,335,979)	0
(208,990)	0	(208,990)	0
(240,741)	0	(240,741)	0
(31,826)	0	(31,826)	0
(1,312,540)	0	(1,312,540)	0
(1,399,502)	0	(1,399,502)	0
(68,746)	0	(68,746)	0
<u>(6,433,271)</u>	<u>0</u>	<u>(6,433,271)</u>	<u>0</u>
0	78,099	78,099	0
0	280,283	280,283	0
0	1,638,513	1,638,513	0
0	425,974	425,974	0
<u>0</u>	<u>2,422,869</u>	<u>2,422,869</u>	<u>0</u>
<u>(6,433,271)</u>	<u>2,422,869</u>	<u>(4,010,402)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(552,824)</u>
<u>(6,433,271)</u>	<u>2,422,869</u>	<u>(4,010,402)</u>	<u>(552,824)</u>
297,245	0	297,245	0
54,155	0	54,155	0
2,278,500	0	2,278,500	0
2,028,091	0	2,028,091	0
250,403	0	250,403	0
433,096	0	433,096	0
330,385	0	330,385	0
123,721	0	123,721	0
3,512	557	4,069	1,418,236
1,102,918	240,596	1,343,514	0
<u>6,902,026</u>	<u>241,153</u>	<u>7,143,179</u>	<u>1,418,236</u>
<u>35,922</u>	<u>(35,922)</u>	<u>0</u>	<u>0</u>
<u>6,937,948</u>	<u>205,231</u>	<u>7,143,179</u>	<u>1,418,236</u>
504,677	2,628,100	3,132,777	865,412
<u>22,814,691</u>	<u>25,715,505</u>	<u>48,530,196</u>	<u>9,241,664</u>
<u>\$23,319,368</u>	<u>\$28,343,605</u>	<u>\$51,662,973</u>	<u>\$10,107,076</u>

City of Galion
Balance Sheet
Governmental Funds
December 31, 2013

	General	Police and Fire Levy	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,432,018	\$402,142	\$2,575,150	\$9,409,310
Accounts Receivable	149,521	0	0	149,521
Due from Other Governments	169,535	0	212,870	382,405
Municipal Income Taxes Receivable	512,259	459,168	53,090	1,024,517
Other Local Taxes Receivable	265	0	14,620	14,885
Interfund Receivable	370,597	0	0	370,597
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	4,181	0	0	4,181
Prepaid Items	15,336	0	6,722	22,058
Materials and Supplies Inventory	0	0	58,660	58,660
Property Taxes Receivable	352,131	0	64,200	416,331
Notes Receivable	0	0	94,223	94,223
Total Assets	\$8,005,843	\$861,310	\$3,079,535	\$11,946,688
<u>Liabilities</u>				
Accrued Wages Payable	\$9,651	\$9,872	\$1,819	\$21,342
Matured Compensated Absences Payable	53,733	0	0	53,733
Accounts Payable	19,477	0	31,214	50,691
Contracts Payable	0	0	78,283	78,283
Due to Other Governments	77,858	40,365	93,097	211,320
Interfund Payable	0	0	71,806	71,806
Total Liabilities	160,719	50,237	276,219	487,175
<u>Deferred Inflows of Resources</u>				
Property Taxes	304,229	0	55,466	359,695
Unavailable Revenue	647,369	293,232	218,070	1,158,671
Total Deferred Inflows of Resources	951,598	293,232	273,536	1,518,366
<u>Fund Balance</u>				
Nonspendable	19,517	0	65,382	84,899
Restricted	0	517,841	2,619,850	3,137,691
Assigned	59,338	0	0	59,338
Unassigned (Deficit)	6,814,671	0	(155,452)	6,659,219
Total Fund Balance	6,893,526	517,841	2,529,780	9,941,147
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$8,005,843	\$861,310	\$3,079,535	\$11,946,688

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, 2013

Total Governmental Fund Balance \$9,941,147

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. 14,370,992

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	126,165	
Due from Other Governments	324,243	
Municipal Income Taxes Receivable	651,627	
Delinquent Property Taxes Receivable	56,636	
		1,158,671

An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities. (29,121)

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. (21,620)

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

Notes Payable	(770,000)	
General Obligation Bonds Payable	(350,000)	
OPWC Loans Payable	(78,521)	
Police Pension Liability	(23,504)	
Fire Pension Liability	(89,091)	
Capital Loan Payable	(323,800)	
Compensated Absences Payable	(544,599)	
		(2,179,515)

An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. 78,814

Net Position of Governmental Activities \$23,319,368

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, 2013

	General	Police and Fire Levy	Other Governmental	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$304,156	\$0	\$55,401	\$359,557
Municipal Income Taxes	2,255,476	2,007,372	248,101	4,510,949
Other Local Taxes	433,096	0	183,352	616,448
Charges for Services	987,624	0	130,294	1,117,918
Fees, Licenses, and Permits	150,789	0	0	150,789
Fines and Forfeitures	19,718	0	15,055	34,773
Intergovernmental	377,067	0	775,794	1,152,861
Interest	3,503	0	11,887	15,390
Other	641,351	14,419	448,748	1,104,518
Total Revenues	5,172,780	2,021,791	1,868,632	9,063,203
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	787,758	838,794	263,182	1,889,734
Fire	643,993	839,134	355,047	1,838,174
Public Health	452,996	0	0	452,996
Leisure Time Activities	0	0	205,762	205,762
Community Environment	0	0	352,954	352,954
Transportation	0	0	1,451,339	1,451,339
General Government	1,254,259	550,000	1,922	1,806,181
Debt Service:				
Principal Retirement	36,200	0	1,136,252	1,172,452
Interest and Fiscal Charges	9,041	0	57,950	66,991
Total Expenditures	3,184,247	2,227,928	3,824,408	9,236,583
Excess of Revenues Over (Under) Expenditures	1,988,533	(206,137)	(1,955,776)	(173,380)
<u>Other Financing Sources (Uses)</u>				
Bond Anticipation Notes Issued	0	0	770,000	770,000
Transfers In	0	0	893,653	893,653
Transfers Out	(785,926)	0	(71,805)	(857,731)
Total Other Financing Sources (Uses)	(785,926)	0	1,591,848	805,922
Changes in Fund Balance	1,202,607	(206,137)	(363,928)	632,542
Fund Balance Beginning of Year	5,690,919	723,978	2,893,708	9,308,605
Fund Balance End of Year	<u>\$6,893,526</u>	<u>\$517,841</u>	<u>\$2,529,780</u>	<u>\$9,941,147</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, 2013

Changes in Fund Balance - Total Governmental Funds \$632,542

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

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Capital Outlay - Nondepreciable Capital Assets	318,245	
Capital Outlay - Depreciable Capital Assets	308,592	
Depreciation	<u>(1,389,595)</u>	(762,758)

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

Delinquent Property Taxes	(8,157)	
Municipal Income Taxes	46,045	
Charges for Services	27,203	
Fees, Licenses, and Permits	(1,362)	
Intergovernmental	<u>18,811</u>	82,540

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

Notes Payable	770,000	
General Obligation Bonds Payable	350,000	
OPWC Loans Payable	13,087	
Police Pension Liability	661	
Fire Pension Liability	2,504	
Capital Loans Payable	<u>36,200</u>	1,172,452

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. (1,755)

Note proceeds are reported as other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position. (770,000)

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. 154,955

The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. (3,299)

Change in Net Position of Governmental Activities \$504,677

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$351,056	\$351,056	\$304,156	(\$46,900)
Municipal Income Taxes	2,278,680	2,278,680	2,265,468	(13,212)
Other Local Taxes	490,700	490,700	439,010	(51,690)
Charges for Services	1,236,540	1,236,540	1,095,444	(141,096)
Fees, Licenses, and Permits	125,000	125,000	150,789	25,789
Fines and Forfeitures	14,000	14,000	20,458	6,458
Intergovernmental	309,360	309,360	409,034	99,674
Interest	25,000	25,000	3,506	(21,494)
Other	0	0	15,585	15,585
Total Revenues	4,830,336	4,830,336	4,703,450	(126,886)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	936,481	937,481	805,374	132,107
Fire	732,931	770,211	676,094	94,117
Public Health	590,490	640,490	483,395	157,095
General Government	1,563,984	1,559,057	1,259,685	299,372
Debt Service:				
Principal Retirement	161,200	161,200	161,200	0
Interest and Fiscal Charges	12,713	12,713	12,713	0
Total Expenditures	3,997,799	4,081,152	3,398,461	682,691
Excess of Revenues Over Expenditures	832,537	749,184	1,304,989	555,805
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	0	0	623,966	623,966
Advances Out	0	(71,806)	(71,806)	0
Transfers Out	(1,075,263)	(1,457,828)	(785,926)	671,902
Total Other Financing Sources (Uses)	(1,075,263)	(1,529,634)	(233,766)	1,295,868
Changes in Fund Balance	(242,726)	(780,450)	1,071,223	1,851,673
Fund Balance Beginning of Year	5,204,411	5,204,411	5,204,411	0
Prior Year Encumbrances Appropriated	92,626	92,626	92,626	0
Fund Balance End of Year	\$5,054,311	\$4,516,587	\$6,368,260	\$1,851,673

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 Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Municipal Income Taxes	\$2,031,155	\$2,031,155	\$2,016,265	(\$14,890)
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,019,485	1,019,485	894,244	125,241
Fire	951,520	961,520	878,970	82,550
General Government	0	550,000	550,000	0
Total Expenditures	1,971,005	2,531,005	2,323,214	207,791
Excess of Revenues Over (Under) Expenditures	60,150	(499,850)	(306,949)	192,901
<u>Other Financing Sources</u>				
Other Financing Sources	0	0	14,419	14,419
Changes in Fund Balance	60,150	(499,850)	(292,530)	207,320
Fund Balance Beginning of Year	660,472	660,472	660,472	0
Fund Balance End of Year	<u>\$720,622</u>	<u>\$160,622</u>	<u>\$367,942</u>	<u>\$207,320</u>

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Fund Net Position
Proprietary Funds
December 31, 2013

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
<u>Assets</u>					
<u>Current Assets</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,939,366	\$3,894,070	\$11,142,626	\$1,492,122	\$19,468,184
Accounts Receivable	269,924	303,082	1,784,092	110,522	2,467,620
Excise Taxes Receivable	0	0	33,063	0	33,063
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	77,860	73,607	121,389	0	272,856
Prepaid Items	4,430	4,470	8,302	1,523	18,725
Materials and Supplies Inventory	11,567	3,500	0	0	15,067
Special Assessments Receivable	10,742	17,527	0	0	28,269
Total Current Assets	3,313,889	4,296,256	13,089,472	1,604,167	22,303,784
<u>Non-Current Assets</u>					
Special Assessments Receivable	118,392	193,165	0	0	311,557
Nondepreciable Capital Assets	861,428	1,143,202	3,377,545	17,300	5,399,475
Depreciable Capital Assets, Net	6,646,310	8,539,720	5,420,576	2,702,630	23,309,236
Investment in Joint Venture	0	0	1,003,831	0	1,003,831
Total Non-Current Assets	7,626,130	9,876,087	9,801,952	2,719,930	30,024,099
Total Assets	10,940,019	14,172,343	22,891,424	4,324,097	52,327,883
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	2,806	2,637	3,315	329	9,087
Accounts Payable	13,318	13,696	802,411	8,294	837,719
Contracts Payable	0	0	22,424	7,724	30,148
Due to Other Governments	25,175	23,867	35,348	4,305	88,695
Retainage Payable	0	0	138,010	0	138,010
Compensated Absences Payable	19,532	24,293	54,076	1,525	99,426
Interfund Payable	79,011	76,742	124,525	18,513	298,791
Accrued Interest Payable	988	2,711	72,642	1,202	77,543
Notes Payable	60,000	164,569	0	72,947	297,516
Claims Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	796,000	0	796,000
OPWC Loans Payable	10,555	13,454	0	9,409	33,418
OWDA Loans Payable	251,742	202,275	0	0	454,017
AMP Ohio Payable	0	0	231,865	0	231,865
Total Current Liabilities	463,127	524,244	2,280,616	124,248	3,392,235
<u>Non-Current Liabilities</u>					
Deposits Held and Due to Others	77,860	73,607	121,389	0	272,856
General Obligation Bonds Payable	0	0	7,518,000	0	7,518,000
OPWC Loans Payable	96,665	0	0	84,683	181,348
OWDA Loans Payable	5,754,105	5,184,979	0	0	10,939,084
AMP Ohio Payable	0	0	1,417,822	0	1,417,822
Compensated Absences Payable	114,111	104,689	69,571	3,683	292,054
Total Non-Current Liabilities	6,042,741	5,363,275	9,126,782	88,366	20,621,164
Total Liabilities	6,505,868	5,887,519	11,407,398	212,614	24,013,399
<u>Net Position</u>					
Net Investment in Capital Assets	1,334,671	4,282,214	3,255,992	2,552,891	11,425,768
Unrestricted	3,099,480	4,002,610	8,228,034	1,558,592	16,888,716
Total Net Position	\$4,434,151	\$8,284,824	\$11,484,026	\$4,111,483	28,314,484
Net position reported for business-type activities on the statement of net position is different because it includes a proportionate share of the balance of the internal service fund.					29,121
Net position of business-type activities					<u>\$28,343,605</u>

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity

Internal
Service
Fund

\$80,720
0
0

0
0
0
0

80,720

0
0
0
0

0

80,720

0
136
0
0
0
0
0
0
0

1,770
0
0
0
0

1,906

0
0
0
0
0
0

0

1,906

0

78,814

\$78,814

City of Galion
Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
<u>Operating Revenues</u>					
Charges for Services	\$1,842,956	\$2,096,249	\$11,575,110	\$731,114	\$16,245,429
Other	46,272	49,795	112,223	32,306	240,596
Total Operating Revenues	<u>1,889,228</u>	<u>2,146,044</u>	<u>11,687,333</u>	<u>763,420</u>	<u>16,486,025</u>
<u>Operating Expenses</u>					
Salaries	443,882	418,275	546,511	95,724	1,504,392
Benefits	245,560	261,391	334,354	72,096	913,401
Contractual Services	88,523	177,698	8,034,117	40,498	8,340,836
Materials and Supplies	322,617	143,344	141,877	12,630	620,468
Bad Debt	33,429	0	37,895	0	71,324
Claims	0	0	0	0	0
Depreciation	357,640	517,204	210,494	63,852	1,149,190
Other	79,011	84,133	94,025	18,513	275,682
Total Operating Expenses	<u>1,570,662</u>	<u>1,602,045</u>	<u>9,399,273</u>	<u>303,313</u>	<u>12,875,293</u>
Operating Income (Loss)	<u>318,566</u>	<u>543,999</u>	<u>2,288,060</u>	<u>460,107</u>	<u>3,610,732</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest Revenue	0	0	557	0	557
Interest Expense	(193,614)	(213,359)	(389,489)	(1,788)	(798,250)
Loss from Joint Venture	0	0	(147,080)	0	(147,080)
Total Non-Operating Revenues (Expenses)	<u>(193,614)</u>	<u>(213,359)</u>	<u>(536,012)</u>	<u>(1,788)</u>	<u>(944,773)</u>
Income (Loss) before Transfers	124,952	330,640	1,752,048	458,319	2,665,959
Transfers In	27,286	44,519	0	0	71,805
Transfers Out	(40,936)	(66,791)	0	0	(107,727)
Changes in Net Position	111,302	308,368	1,752,048	458,319	2,630,037
Net Position Beginning of Year	<u>4,322,849</u>	<u>7,976,456</u>	<u>9,731,978</u>	<u>3,653,164</u>	
Net Position End of Year	<u>\$4,434,151</u>	<u>\$8,284,824</u>	<u>\$11,484,026</u>	<u>\$4,111,483</u>	
The change in net position reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.					<u>(1,937)</u>
Change in net position of business-type activities					<u>\$2,628,100</u>

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity
Internal
Service
Fund

\$73,854
0

73,854

0
0
136
0
0
78,954
0
0

79,090

(5,236)

0
0
0

0

(5,236)

0
0

(5,236)

84,050

\$78,814

City of Galion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
Increases (Decreases) in Cash and Cash Equivalents					
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers	\$1,848,794	\$2,104,675	\$11,588,590	\$725,726	\$16,267,785
Cash Received from					
Transactions with Other Funds	0	0	0	0	0
Cash Received from Deposits	27,379	27,080	50,806	0	105,265
Cash Received from Other Revenues	77,780	49,795	112,223	32,306	272,104
Cash Payments for Salaries	(485,093)	(457,908)	(638,302)	(100,215)	(1,681,518)
Cash Payments for Benefits	(247,775)	(265,663)	(347,943)	(74,124)	(935,505)
Cash Payments for Contractual Services	(90,532)	(186,564)	(8,470,181)	(37,614)	(8,784,891)
Cash Payments for Materials and Supplies	(329,476)	(655,452)	(274,270)	(65,418)	(1,324,616)
Cash Payments for Claims	0	0	0	0	0
Cash Payments for Deposits Refunded	(25,688)	(25,213)	(48,840)	0	(99,741)
Cash Payments for Other Expenses	(104,731)	(100,170)	(153,302)	(25,448)	(383,651)
Net Cash Provided by (Used for) Operating Activities	<u>670,658</u>	<u>490,580</u>	<u>1,818,781</u>	<u>455,213</u>	<u>3,435,232</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Transfers Out	(30,365)	(49,544)	0	0	(79,909)
<u>Cash Flows from Capital and Related Financing Activities</u>					
Principal Paid on Bond Anticipation Notes	(120,000)	(289,600)	0	(110,410)	(520,010)
Principal Paid on General Obligation Bonds	0	0	(767,000)	0	(767,000)
Principal Paid on OPWC Loans	(10,555)	(26,907)	0	0	(37,462)
Principal Paid on OWDA Loans	(227,298)	(243,231)	0	0	(470,529)
Interest Paid on Bond Anticipation Notes	(2,693)	(6,528)	0	(2,503)	(11,724)
Interest Paid on General Obligation Bonds	0	0	(395,592)	0	(395,592)
Interest Paid on OWDA Loans	(181,904)	(192,649)	0	0	(374,553)
Bond Anticipation Notes Issued	60,000	164,569	0	72,947	297,516
OPWC Loans Issued	0	0	0	94,092	94,092
OWDA Loans Issued	0	619,085	0	0	619,085
Acquisition of Capital Assets	(22,956)	(178,054)	(200,415)	(659,303)	(1,060,728)
Net Cash Used for Capital and Related Financing Activities	<u>(505,406)</u>	<u>(153,315)</u>	<u>(1,363,007)</u>	<u>(605,177)</u>	<u>(2,626,905)</u>
<u>Cash Flows from Investing Activities</u>					
Interest	0	0	557	0	557
Net Increase (Decrease) in Cash and Cash Equivalents	134,887	287,721	456,331	(149,964)	728,975
Cash and Cash Equivalents Beginning of Year	<u>2,882,339</u>	<u>3,679,956</u>	<u>10,807,684</u>	<u>1,642,086</u>	<u>19,012,065</u>
Cash and Cash Equivalents End of Year	<u>\$3,017,226</u>	<u>\$3,967,677</u>	<u>\$11,264,015</u>	<u>\$1,492,122</u>	<u>\$19,741,040</u>

Governmental
Activity

Internal
Service
Fund

\$0

73,854

0

0

0

0

(133)

0

(80,676)

0

0

(6,955)

0

0

0

0

0

0

0

0

0

0

0

0

0

0

0

(6,955)

87,675

\$80,720

(continued)

City of Galion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013
(continued)

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating Income (Loss)	\$318,566	\$543,999	\$2,288,060	\$460,107	\$3,610,732
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Allowance for Uncollectibles	33,429	(67,275)	37,895	(46,515)	(42,466)
Depreciation	357,640	517,204	210,494	63,852	1,149,190
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	37,403	8,517	13,480	(5,388)	54,012
Decrease in Excise Taxes Receivable	0	0	6,369	0	6,369
Increase in Prepaid Items	(179)	(154)	(557)	(19)	(909)
Decrease in Materials and Supplies Inventory	10,197	747	0	0	10,944
Increase in Special Assessments Receivable	(57)	(91)	0	0	(148)
Decrease in Accrued Wages Payable	(12,513)	(12,605)	(17,984)	(1,665)	(44,767)
Increase (Decrease) in Accounts Payable	(15,165)	(8,184)	133,390	3,826	113,867
Increase (Decrease) in Contracts Payable	(3,205)	(409,609)	11,680	(6,892)	(408,026)
Decrease in Due to Other Governments	(2,731)	(4,260)	(11,824)	(2,332)	(21,147)
Decrease in Retainage Payable	0	(35,986)	(137,137)	0	(173,123)
Decrease in Compensated Absences Payable	(28,698)	(27,028)	(73,807)	(2,826)	(132,359)
Decrease in Interfund Payable	(25,720)	(16,562)	(65,277)	(6,935)	(114,494)
Decrease in Claims Payable	0	0	0	0	0
Increase in Deposits Held and Due to Others	1,691	1,867	1,966	0	5,524
Decrease in AMP Ohio Payable	0	0	(577,967)	0	(577,967)
Net Cash Provided by (Used for) Operating Activities	\$670,658	\$490,580	\$1,818,781	\$455,213	\$3,435,232

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity

Internal
Service
Fund

(\$5,236)

0
0

0
0
0
0
0
0
3
0
0
0
0
0

(1,722)

0
0

(\$6,955)

City of Galion
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2013

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$36,191</u>
<u>Liabilities</u>	
Undistributed Assets	<u>\$36,191</u>

See Accompanying Notes to the Basic Financial Statements

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

A. The City

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

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

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

B. Reporting Entity

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

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

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

Discretely Presented Component Unit

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 2013, the City received \$360,539 from the Foundation. Information on the Foundation may be obtained from the Law Offices of Hottenroth, Garverick, Tilson & Co., L.P.A., 126 South Market Street, P.O. Box 477, Galion, Ohio 44833.

The City of Galion participates in two joint ventures, a jointly governed organization, and a related organization. These organizations are the Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Galion/Polk Township Community Improvement Corporation, and the Galion Public Library. These organizations are presented in Notes 22, 23, and 24 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Proprietary Funds

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

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

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

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

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

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications; pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2013. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for transient fees collected for use by a convention and visitors bureau and for health care contributions deducted from employee salaries.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and changes in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City did not report any deferred outflows of resources for 2013.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources consists of property taxes and unavailable revenue. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2013, but which were levied to finance 2014 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

Expenses/Expenditures

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

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

During 2013, the City invested in repurchase agreements, which are reported at cost.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2013 was \$3,503 which includes \$2,619 assigned from other City funds.

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Restricted Assets

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

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Inventory

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

J. Capital Assets

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

K. Interfund Receivables/Payables

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

L. Compensated Absences

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

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

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.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, general obligation bonds, OPWC loans, the police and fire pension liability, and capital loans are recognized as liabilities on the fund financial statements when due.

N. Net Position

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

O. Fund Balance

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

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

P. Operating Revenues and Expenses

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

Q. Interfund Transactions

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

R. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPAL

For 2013, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity: Omnibus". GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and the financial reporting entity display and disclosure requirements. The implementation of this statement did not result in any change to the City's financial statements.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2013, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Nonmajor Special Revenue Funds	
CHIP	\$36,725
Police Pension	16,443
Fire Pension	24,446
Nonmajor Debt Service Fund	
Cheshire Special Assessment	71,806

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

B. Compliance

For the year ended December 31, 2013, the CHIP special revenue fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$13,553. The City will review appropriations to ensure they are within available resources.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2013.

Fund Program/Department/Object	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund			
General Government			
Law			
Materials and Supplies	\$650	\$7,036	\$6,386
Police Drug			
Security of Persons and Property - Police			
Drug Enforcement			
Contractual Services	3,000	3,560	560
CHIP			
Community Environment			
Miscellaneous CHIP			
Contractual Services	80,245	129,418	49,173
Water			
Debt Service			
Principal Retirement	357,745	357,853	108
Storm Water			
Storm Water Utility			
Capital Outlay	0	59,428	59,428

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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

	General	Police and Fire Levy
GAAP Basis	\$1,202,607	(\$206,137)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2012, Received in Cash 2013	685,537	174,829
Accrued 2013, Not Yet Received in Cash	(530,904)	(165,936)
Expenditure Accruals:		
Accrued 2012, Paid in Cash 2013	(182,553)	(111,323)
Accrued 2013, Not Yet Paid in Cash	160,719	50,237
Cash Accruals:		
Unrecorded Activity 2012	1,523	0
Unrecorded Activity 2013	(1,520)	0
Prepaid Items	(961)	0
Advances Out	(71,806)	0
Note Principal Retirement	(125,000)	0
Encumbrances Outstanding at Year End (Budget Basis)	(66,419)	(34,200)
Budget Basis	\$1,071,223	(\$292,530)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,119,723 of the City's bank balance of \$2,615,198 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

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

Investments

As of December 31, 2013, the City had the following investment:

	Fair Value	Maturity
Repurchase Agreement	\$27,128,250	1/3/14

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

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

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

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

	Fair Value	Percentage of Portfolio
Repurchase Agreement	\$27,128,250	100%

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 7 - RECEIVABLES

Receivables at December 31, 2013, consisted of accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; excise taxes; interfund; property taxes; notes, and special assessments. All receivables are considered collectible in full and within one year, except for municipal income taxes, property taxes, notes, special assessments, and the allowance for uncollectibles related to utility services. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$84,501, will not be received within one year. Special assessments, in the amount of \$310,959, will not be received within one year. There were delinquent special assessments, in the amount of \$598, at December 31, 2013.

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

	Water	Sewer	Electric	Storm Water	Total Enterprise Funds
Accounts Receivable	\$484,209	\$442,405	\$3,013,888	\$134,633	\$4,075,135
Less Allowance for Uncollectibles	(214,285)	(139,323)	(1,229,796)	(24,111)	(1,607,515)
Net Accounts Receivable	<u>\$269,924</u>	<u>\$303,082</u>	<u>\$1,784,092</u>	<u>\$110,522</u>	<u>\$2,467,620</u>

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

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$27,429
Local Government	113,897
Cigarette Taxes	376
Liquor and Beer Permits	140
Estate Taxes	3,066
Fines and Forfeitures	1,255
State of Ohio	1,769
Crawford County	70
Victims of Crime	13,610
Ohio Department of Health	7,923
Total General Fund	<u>169,535</u>

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 7 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
Nonmajor Funds	
OVI Enforcement	
Fines	\$10
Street Maintenance	
Gasoline Tax	156,795
Motor Vehicle License Tax	33,304
Total Street Maintenance	190,099
State Highway	
Gasoline Tax	12,713
Motor Vehicle License Tax	2,700
Total State Highway	15,413
Police Pension	
Homestead and Rollback	2,497
Personal Property Phase-Out	536
Total Police Pension	3,033
Fire Pension	
Homestead and Rollback	2,497
Personal Property Phase-Out	536
Total Fire Pension	3,033
CHIP	
CHIP	1,282
Total Nonmajor Funds	212,870
Total Governmental Activities	\$382,405

NOTE 8 - MUNICIPAL INCOME TAXES

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2013 represent the collection of 2012 taxes. Public utility real and tangible personal property taxes received in 2013 became a lien on December 31, 2011, were levied after October 1, 2012, 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, 2013, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2013 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, 2013, was \$3.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2013 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural	\$643,900
Residential	81,912,160
Commercial	18,993,860
Industrial	6,712,500
Public Utility Property	
Real	44,470
Personal	933,040
Total Assessed Value	\$109,239,930

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,485,816	\$0	\$0	\$3,485,816
Construction in Progress	785,309	318,245	0	1,103,554
Total Nondepreciable Capital Assets	4,271,125	318,245	0	4,589,370
Depreciable Capital Assets				
Buildings	1,050,562	0	0	1,050,562
Improvements Other Than Buildings	1,234,815	0	0	1,234,815
Streets	22,291,667	30,831	0	22,322,498
Bridges	1,236,330	0	0	1,236,330
Equipment	1,091,374	0	0	1,091,374
Vehicles	2,210,431	277,761	0	2,488,192
Total Depreciable Capital Assets	29,115,179	308,592	0	29,423,771
Less Accumulated Depreciation for				
Buildings	(474,005)	(29,293)	0	(503,298)
Improvements Other Than Buildings	(240,286)	(58,639)	0	(298,925)
Streets	(15,325,299)	(1,090,816)	0	(16,416,115)
Bridges	(598,451)	(24,727)	0	(623,178)
Equipment	(539,725)	(74,296)	0	(614,021)
Vehicles	(1,074,788)	(111,824)	0	(1,186,612)
Total Accumulated Depreciation	(18,252,554)	(1,389,595)	0	(19,642,149)
Total Depreciable Capital Assets, Net	10,862,625	(1,081,003)	0	9,781,622
Governmental Activities Capital Assets, Net	\$15,133,750	(\$762,758)	0	\$14,370,992
	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$2,169,744	\$0	\$0	\$2,169,744
Construction in Progress	3,645,122	1,148,962	(1,564,353)	3,229,731
Total Nondepreciable Capital Assets	5,814,866	1,148,962	(1,564,353)	5,399,475

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 10 - CAPITAL ASSETS (continued)

	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
Business-Type Activities (continued):				
Depreciable Capital Assets				
Buildings	\$18,334,378	\$861,348	\$0	\$19,195,726
Improvements Other Than Buildings	7,316,411	0	0	7,316,411
Water, Sewer, Electric, and Storm Water Lines	10,296,575	713,105	(895)	11,008,785
Equipment	3,283,273	51,136	0	3,334,409
Vehicles	1,445,428	0	0	1,445,428
Total Depreciable Capital Assets	40,676,065	1,625,589	(895)	42,300,759
Less Accumulated Depreciation for				
Buildings	(9,266,588)	(635,724)	0	(9,902,312)
Improvements Other Than Buildings	(2,222,868)	(131,295)	0	(2,354,163)
Water, Sewer, Electric, and Storm Water Lines	(3,654,541)	(197,314)	895	(3,850,960)
Equipment	(1,719,711)	(124,105)	0	(1,843,816)
Vehicles	(979,520)	(60,752)	0	(1,040,272)
Total Accumulated Depreciation	(17,843,228)	(1,149,190)	895	(18,991,523)
Total Depreciable Capital Assets, Net	22,832,837	476,399	0	23,309,236
Business-Type Activities Capital Assets, Net	\$28,647,703	\$1,625,361	(\$1,564,353)	\$28,708,711

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$35,408
Security of Persons and Property - Fire	62,559
Public Health	6,948
Leisure Time Activities	45,219
Transportation	1,202,369
General Government	37,092
Total Depreciation Expense - Governmental Activities	\$1,389,595

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2013, the General Fund had an interfund receivable, in the amount of \$370,597; \$71,806 from other governmental funds for short-term loans made to those funds, and \$79,011 from the Water enterprise fund, \$76,742 from the Sewer enterprise fund, \$124,525 from the Electric enterprise fund, and \$18,513 from the Storm Water enterprise fund for services provided to those funds. Amounts are expected to be received within one year.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, the City contracted with U. S. Specialty Insurance Company for the following insurance coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property (building and contents)	\$14,953,230	\$1,000
Flood/Earthquake	500,000	50,000
General Liability		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0
Employee Benefits Liability		
Each Employee Limit	1,000,000	1,000
Aggregate	3,000,000	1,000
Stop Gap Liability	1,000,000	0
Public Officials Liability	1,000,000	1,000
Law Enforcement Liability	1,000,000	5,000
Automobile Liability	1,000,000	0
Commercial Umbrella	5,000,000	10,000
Crime Coverage	250,000	500

There has been no significant reduction in insurance coverage from 2012, and no insurance settlement has exceeded insurance coverage during the last three years.

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

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

The changes in the claims liability for 2013 and 2012 were as follows:

<u>Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2013	\$3,492	\$78,954	\$80,676	\$1,770
2012	2,968	67,892	67,368	3,492

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 13 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2013:

Vendor	Contract Amount	Amount Paid as of 12/31/13	Outstanding Balance
Crawford Construction, Inc.	\$44,400	\$10,100	\$34,300
E P Ferris & Associates, Inc.	159,810	109,376	50,434
GPD Group	100,765	39,632	61,133
J W Didado, Inc.	1,559,538	1,307,334	252,204
Power Line Supply	75,000	0	75,000
Solomon Corporation	75,000	0	75,000
T&R Electric Supply Co., Inc.	75,000	0	75,000

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2014 are as follows:

General Fund	\$66,419
Police and Fire Levy	34,200
Other Governmental Funds	87,777
	\$188,396

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 14 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, members in state and local classifications contributed 10 percent of covered payroll. For 2013, member and employer contribution rates were consistent across all three plans.

The City's 2013 contribution rate was 14 percent. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in both the traditional and combined plans was 1 percent for 2013. Effective January 1, 2014, the portion of the employer contribution allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011, was \$501,682, \$450,652, and \$464,423, respectively. For 2013, 91 percent has been contributed with the balance reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011. There were no contributions made to the member-directed plan for 2013.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Employer and employee contribution rates are set by the Ohio Revised Code. From January 1, 2013, through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013, through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, employers were required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For January 1, 2013, through May 31, 2013, the portion of the City's contribution used to fund pension benefits was 14.81 percent of covered payroll for police officers and 19.31 percent of covered payroll for firefighters. For June 1, 2013, through December 31, 2013, the portion of the City's contribution used to fund pension benefits was 16.65 percent of covered payroll for police officers and 21.15 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$210,597 and \$276,080 for the year ended December 31, 2013, \$160,580 and \$224,706, for the year ended December 31, 2012, and \$164,610 and \$239,620 for the year ended December 31, 2011. For 2013, 92 percent has been contributed for both police and firefighters with the balance reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 1 percent for 2013. Effective January 1, 2014, the portion of the employer contribution allocated to health care was raised to 2 percent for both plans as recommended by the OPERS actuary.

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2013, 2012, and 2011 was \$25,495, \$107,630, and \$110,781, respectively. For 2013, 91 percent has been contributed with the balance reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 15 - POSTEMPLOYMENT BENEFITS (continued)

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For January 1, 2013, through May 31, 2013, the employer contribution allocated to the health care plan was 4.69 percent of covered payroll. For June 1, 2013, through December 31, 2013, the employer contribution allocated to the health care plan was 2.85 percent of covered payroll. The amount of the employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$31,237 and \$34,570 for the year ended December 21, 2013, \$51,008 and \$58,903 for the year ended December 31, 2012, and \$52,288 and \$62,813 for the year ended December 31, 2011. For 2013, 92 percent has been contributed for both police and firefighters with the balance reported as an intergovernmental payable. The full amount has been contributed for 2012 and 2011.

NOTE 16 - OTHER EMPLOYEE BENEFITS

A. Health Care Benefits

The City offers employee health benefits through Medical Mutual of Ohio. The employees share the cost of the monthly premium with the City. The premium varies with employee depending on the terms of the union contract.

B. Compensated Absences

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

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

Sick leave is earned at various rates as defined by City policy and union contracts. All employees, except those in the firefighters union, with three or more years of full-time service with the City, who elect to retire, are entitled to receive two-thirds of the value of their accumulated unused sick leave. Members of the firefighters union with five or more years of full-time service with the City, who elect to retire, are entitled to receive between 25 percent, 33 percent, and 66 percent of the value of their accumulated unused sick leave, dependent on the amount of accumulated hours.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 17 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2013, were as follows:

	<u>Interest Rate</u>	<u>Balance December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2013</u>
<u>Governmental Activities</u>					
<u>Revenue Anticipation Notes</u>					
General Fund					
2005 Local Government Fund	5.875%	\$125,000	\$0	\$125,000	\$0
<u>General Obligation Bond Anticipation Notes</u>					
General Fund					
2012 Dump Truck	1.95	30,000	0	30,000	0
2012 Street Improvement	1.95	85,000	0	85,000	0
Total Governmental Activities		<u>\$240,000</u>	<u>\$0</u>	<u>\$240,000</u>	<u>\$0</u>
	<u>Interest Rate</u>	<u>Balance December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2013</u>
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Enterprise Funds					
2012 Water Line Improvement	1.95%	\$120,000	\$0	\$120,000	\$0
2013 Water Line Improvement	1.85	0	60,000	0	60,000
2012 Wastewater System Improvement	1.95	289,600	0	289,600	0
2013 Wastewater System Improvement	1.85	0	164,569	0	164,569
2012 Storm System Improvement	1.95	110,410	0	110,410	0
2013 Storm System Improvement	1.85	0	72,947	0	72,947
Total Business-Type Activities		<u>\$520,010</u>	<u>\$297,516</u>	<u>\$520,010</u>	<u>\$297,516</u>

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

The revenue anticipation notes, in the original amount of \$818,000, were issued on July 28, 2005, in accordance with Ohio Revised Code Section 118.17 (fiscal emergency provision) because the City did not have sufficient cash to cover fund deficits. The final payment on the notes, consisting of principal and interest, in the amount of \$125,000 and \$7,344, respectively, was made on June 1, 2013.

The bond anticipation notes in the Water enterprise fund, in the amount of \$60,000, were issued on February 7, 2013, to partially retire notes previously issued in 2012 to improve water lines. The notes matured on February 7, 2014. As of December 31, 2013, all of the proceeds had been spent.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 17 - NOTES PAYABLE (continued)

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$164,569, were issued on February 7, 2013, to partially retire notes previously issued in 2012 to improve sanitary sewer lines. The notes matured on February 7, 2014. As of December 31, 2012, \$64,569 of the proceeds had been spent on items which were not capitalized and \$100,000 had not been spent.

The bond anticipation notes in the Storm Water enterprise fund, in the amount of \$72,947, were issued on February, 7, 2013, to partially retire notes previously issued in 2012 to improve the storm water system. The notes matured on February 7, 2014. As of December 31, 2013, all of the proceeds had been spent.

NOTE 18 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2013, was as follows:

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bond Anticipation Notes						
2012 Dump Truck (Original Amount \$90,000)	1.95%	\$90,000	\$0	\$90,000	\$0	\$0
2013 Dump Truck (Original Amount \$90,000)	1.85	0	90,000	0	90,000	90,000
2012 Street Improvement (Original Amount \$680,000)	1.95	680,000	0	680,000	0	0
2013 Street Improvement (Original Amount \$680,000)	1.85	0	680,000	0	680,000	680,000
Total General Obligation Bond Anticipation Notes		<u>770,000</u>	<u>770,000</u>	<u>770,000</u>	<u>770,000</u>	<u>770,000</u>
General Obligation Bonds						
2004 Various Purpose (Original Amount \$3,500,000)	5.00	700,000	0	350,000	350,000	350,000
Other Long-Term Obligations						
OPWC Loans						
#CP02L	0.00	91,608	0	13,087	78,521	13,087
Police Pension Liability		24,165	0	661	23,504	689
Fire Pension Liability		91,595	0	2,504	89,091	2,613
Capital Loan Payable (Fire Truck)		360,000	0	36,200	323,800	31,886
Compensated Absences Payable		699,554	0	154,955	544,599	104,919
Total Other Long-Term Obligations		<u>1,266,922</u>	<u>0</u>	<u>207,407</u>	<u>1,059,515</u>	<u>153,194</u>
Total Governmental Activities		<u>\$2,736,922</u>	<u>\$770,000</u>	<u>\$1,327,407</u>	<u>\$2,179,515</u>	<u>\$1,273,194</u>

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2007 Electric Improvement (Original Amount \$8,952,000)	5.25%	\$6,831,000	\$0	\$517,000	\$6,314,000	\$546,000
2011 Electric Improvement (Original Amount \$2,500,000)	2.15	2,250,000	0	250,000	2,000,000	250,000
Total General Obligation Bonds		<u>9,081,000</u>	<u>0</u>	<u>767,000</u>	<u>8,314,000</u>	<u>796,000</u>

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013	Due Within One Year
<u>Business-Type Activities</u> (continued)						
Other Long-Term Obligations						
OPWC Loans						
Railroad Street Waterline (Original Amount \$71,104)	0.00%	\$33,775	\$0	\$3,555	\$30,220	\$3,555
West End Waterline (Original Amount \$140,000)	0.00	84,000	0	7,000	77,000	7,000
Cherry Street Sewer (Original Amount \$541,829)	0.00	40,361	0	26,907	13,454	13,454
North Market Storm Sewer (Original Amount \$94,092)	0.00	0	94,092	0	94,092	9,409
Total OPWC Loans		<u>158,136</u>	<u>94,092</u>	<u>37,462</u>	<u>214,766</u>	<u>33,418</u>
OWDA Loans						
#2735 Raw Water Line (Original Amount \$480,881)	2.00	201,043	0	20,610	180,433	21,022
#3508 Water Treatment (Original Amount \$3,924,637)	2.00	2,807,876	0	119,037	2,688,839	121,430
#4088 Cheshire Subdivision (Original Amount \$983,863)	3.98	679,833	0	45,193	634,640	47,010
#4089 Sewer System Improvement (Original Amount \$1,600,253)	3.98	1,482,941	0	40,400	1,442,541	42,024
#4090 Cheshire (Original Amount \$1,232,112)	3.98	1,059,062	0	28,853	1,030,209	30,013
#4091 Water System Improvement (Original Amount \$2,218,464)	3.98	1,906,880	0	51,951	1,854,929	54,039
#4732 WWTP Bio-Solids (Original Amount \$2,762,322)	3.20	2,460,345	0	107,891	2,352,454	111,723
#4873 Water Tank Rehabilitation (Original Amount \$679,864)	4.61	588,501	0	25,564	562,937	26,756
#5176 WWTP Improvement Design (Original Amount \$85,355)	3.20	67,244	0	40,213	27,031	0
#6273 WWTP Influent Upgrade (Original Amount \$655,098)	2.57	36,013	619,085	36,010	619,088	0
Total OWDA Loans		<u>11,289,738</u>	<u>619,085</u>	<u>515,722</u>	<u>11,393,101</u>	<u>454,017</u>
AMP Ohio Payable - JV 2		1,095,676	0	233,094	862,582	207,782
AMP Ohio Payable		1,131,978	0	344,873	787,105	24,083
Compensated Absences Payable		523,839	0	132,359	391,480	99,426
Total Business-Type Activities		<u>\$23,280,367</u>	<u>\$713,177</u>	<u>\$2,030,510</u>	<u>\$21,963,034</u>	<u>\$1,614,726</u>

2013 Dump Truck General Obligation Bond Anticipation Notes

On February 7, 2013, the City issued \$90,000 in general obligation bond anticipation notes to retire notes previously issued in 2012 to pay for the cost of a dump truck. The notes matured on February 7, 2014. As of December 31, 2013, all of the proceeds had been spent.

2013 Street Improvement General Obligation Bond Anticipation Notes

On February 7, 2013, the City issued \$680,000 in general obligation bond anticipation notes to retire notes previously issued in 2012 to pay for the cost of improving State Routes 309, 61, and 598. The notes matured on February 7, 2014. As of December 31, 2013, the City had unspent proceeds, in the amount of \$224,209.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

2004 Various Purpose General Obligation Bonds

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

2007 Electric Improvement General Obligation Bonds

On December 21, 2007, the City issued \$8,952,000 in unvoted general obligation bonds to retire the Electric Improvement Loan, in the amount of \$4,927,000, and to upgrade an electric substation and the related distribution system. The bonds are being retired from the Electric enterprise fund. The bonds will mature on January 15, 2023. As of December 31, 2013, the City had unspent proceeds, in the amount of \$271,871.

2011 Electric Improvement General Obligation Bonds

On October 27, 2011, the City issued \$2,500,000 in unvoted general obligation bonds to improve the City's electrical distribution system. The bonds are being retired from the Electric enterprise fund. The bonds will mature on December 1, 2021. As of December 31, 2013, none of the proceeds had been spent.

OPWC Loans

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

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for improvements to water and sewer lines and upgrades to the City's water and sewer treatment plants. OWDA loans are payable solely from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the loans (on completed projects for which amortization schedules are available) is \$14,635,685. Principal and interest paid in the Water and Sewer enterprise funds for the current year were \$409,202 and \$435,880, respectively. Total net revenues for the Water and Sewer enterprise funds were \$676,206 and \$1,061,203, respectively.

Police and Fire Pension Liability

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences Payable

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

AMP Ohio Payable - JV2

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

These bonds will be paid solely from the gross revenues of the City's Electric enterprise fund after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the bonds is \$890,903. Principal and interest paid for the current year and total net revenues were \$301,002 and \$2,498,554, respectively.

AMP Ohio Payable

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

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

The City's estimated share of the impaired costs at March 31, 2014, is \$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 leaving a net impaired cost estimate of \$787,105. 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 \$9,950,536 at December 31, 2013.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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

	Governmental Activities				
	General Obligation Bonds		OPWC Loan	Police and Fire Pension	
	Principal	Interest	Principal	Principal	Interest
2014	\$350,000	\$17,500	\$13,087	\$3,302	\$4,750
2015	0	0	13,087	3,442	4,609
2016	0	0	13,087	3,590	4,462
2017	0	0	13,087	3,745	4,306
2018	0	0	13,087	3,904	4,145
2019-2023	0	0	13,086	22,192	18,066
2024-2028	0	0	0	27,385	12,872
2029-2033	0	0	0	33,795	6,463
2034-2035	0	0	0	11,240	473
	\$350,000	\$17,500	\$78,521	\$112,595	\$60,146

	Capital Loan	
	Principal	Interest
2014	\$31,886	\$9,682
2015	32,839	8,729
2016	33,821	7,746
2017	34,832	6,735
2018	35,874	5,694
2019-2022	154,548	11,722
	\$323,800	\$50,308

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 18 - LONG-TERM OBLIGATIONS (continued)

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

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

Year	Business-Type Activities			
	General Obligation Bonds		OPWC Loans	
	Principal	Interest	Principal	
2014	\$796,000	\$362,510	\$33,418	
2015	824,000	327,933	29,373	
2016	855,000	291,805	29,373	
2017	888,000	254,038	29,373	
2018	921,000	214,524	29,373	
2019-2023	4,030,000	429,110	56,856	
2024	0	0	7,000	
	\$8,314,000	\$1,879,920	\$214,766	

Year	OWDA Loans		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2014	\$454,017	\$360,058	\$231,865	\$11,063
2015	469,052	345,023	268,244	8,398
2016	484,623	329,452	270,943	5,699
2017	500,745	313,328	289,007	3,161
2018	517,449	296,623	57,798	0
2019-2023	2,809,809	1,211,306	288,990	0
2024-2028	2,935,841	724,152	242,840	0
2029-2033	2,009,717	280,335	0	0
2034-2035	565,729	28,426	0	0
	\$10,746,982	\$3,888,703	\$1,649,687	\$28,321

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 19 - FUND BALANCE

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

<u>Fund Balance</u>	<u>General</u>	<u>Police and Fire Levy</u>	<u>Other Governmental Funds</u>
Nonspendable for:			
Materials and Supplies Inventory	\$0	\$0	\$58,660
Prepaid Items	15,336	0	6,722
Unclaimed Monies	4,181	0	0
Total Nonspendable	<u>19,517</u>	<u>0</u>	<u>65,382</u>
Restricted for:			
Airport Improvements	0	0	9,651
Debt Retirement	0	0	2,664
Depot Improvements	0	0	10,100
Drug Enforcement	0	0	71,574
Economic Development and Rehabilitation	0	0	1,139,365
Park Improvements	0	0	66,807
Park Operations	0	0	317,802
Police and Fire Operations	0	517,841	2,395
Street Construction and Maintenance	0	0	999,492
Total Restricted	<u>0</u>	<u>517,841</u>	<u>2,619,850</u>
Assigned for:			
Unpaid Obligations	59,338	0	0
Unassigned (Deficit)	6,814,671	0	(155,452)
Total Fund Balance	<u>\$6,893,526</u>	<u>\$517,841</u>	<u>\$2,529,780</u>

NOTE 20 - INTERFUND TRANSFERS

During 2013, the General Fund made transfers to other governmental funds, in the amount of \$785,926 to subsidize various programs in other funds.

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

The Water enterprise fund made transfers to other governmental funds, in the amount of \$40,936, to move receipts as debt payments came due.

The Sewer enterprise fund made transfers to other governmental funds, in the amount of \$66,791, to move receipts as debt payments came due.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 21 - EGBERT M. FREESE FOUNDATION

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

The Foundation's resources are invested in various securities as determined by the Board of Trustees. As of December 31, 2013, the Foundation's investments consisted of the following:

	<u>Fair Value</u>
Equities	\$5,968,809
Fixed Income	3,487,983
Cash Equivalents	<u>650,284</u>
	<u><u>\$10,107,076</u></u>

NOTE 22 - JOINT VENTURES

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

The City is a participant, with twenty-one other subdivisions within the State of Ohio, in a joint venture to provide electric power to its participants on a cooperative basis, the Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1). The electric generating facilities of JV1, known as the Engle Units, are located in the City of Cuyahoga Falls. Title to these six diesel-powered generating units was transferred to the twenty-one municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a non-profit trade association and wholesale power supplier for most of Ohio's eighty-five municipal electric systems. JV1 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated, by agreement, to remit on a monthly basis those costs incurred from using electric generated by the joint venture. In accordance with the joint venture agreement, the City remitted \$10,148 to the joint venture in 2013 for electricity. JV1 does not have any debt outstanding. In the event of a shortfall, the Joint Venture participants are billed for their respective shares of the estimated shortfall.

The City's net investment in JV1 was \$26,354 at December 31, 2013. Complete financial statements for JV1 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 22 - JOINT VENTURES (continued)

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2013, the City met its debt coverage obligation.

JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The project consists of 138.65 MW of distributed generation (of which 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net assets will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, who acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. During 2011, AMP-Ohio retired the remaining balance of the bonds; however, the City is still responsible for paying the remainder of their obligation for this debt to AMP-Ohio. The City's net obligation for these bonds at December 31, 2013, was \$862,582 (including amounts held in the bond fund, previous billings to members, interest payable, and debt service paid and collected). The City's investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's investment in JV2 was \$977,477 at December 31, 2013. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 23 - JOINTLY GOVERNED ORGANIZATION

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

The CIC board consists of twenty-five members, two-fifths of whom are required by the Ohio Revised Code to be from the participating governments. Financial information can be obtained from the Galion/Polk Township Community Improvement Corporation, 106 Harding Way East, Galion, Ohio 44833.

NOTE 24 - RELATED ORGANIZATION

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

NOTE 25 - FISCAL EMERGENCY

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

In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. The City adopted its initial financial recovery plan in March 2005. This plan was subsequently updated in December 2005, April 2007, April 2008, December 2009, December 2010, December 2011, December 2012, and December 2013.

The more significant steps taken by the City to alleviate the fiscal emergency conditions were initial staff reductions and spending cuts, an additional .5 percent income tax for police and fire operations, increased utility rates for electric, water, and sewer, and local government fund borrowing (a provision of Section 118.07 of the Ohio Revised Code). As of December 31, 2013, the City was still in fiscal emergency and has not determined when this situation will be resolved.

For 2006 through 2013, the City was able to prepare a budget in which current year expenditures/expenses were within current year resources.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

NOTE 26 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2013, to December 31, 2013, 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.

This Page Intentionally Left Blank

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

November 7, 2014

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Galion**, Crawford County, Ohio (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 7, 2014, wherein we noted the City was placed in fiscal emergency by the State of Ohio pursuant to Ohio Revised Code Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B). A fiscal emergency commission was appointed to oversee the financial affairs of the City and, as required by Ohio Revised Code Section 118.05(G), the Auditor of State served as the City's financial supervisor.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated November 7, 2014.

Purpose of this Report

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



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



Dave Yost • Auditor of State

CITY OF GALION

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**