



Certified Public Accountants, A.C.

**CITY OF GALION
CRAWFORD COUNTY
Regular Audit
For the Year Ended December 31, 2018**

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KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of Galion, Crawford County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2018. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 26, 2019

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**City of Galion
Crawford County**

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INDEPENDENT AUDITOR'S REPORT

June 28, 2019

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, 2018, 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.

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Auditor's Responsibility (Continued)

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, 2018, 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 discussed in Note 3 to the financial statements, during the year ended December 31, 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, schedules of net pension and OPEB liabilities and pension and OPEB contributions 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 June 28, 2019, 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.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

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

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2018 are as follows:

In total, the City's net position changed less than 1 percent from the prior year. Governmental activities decreased almost 4 percent and business-type activities increased less than 1 percent.

General revenues made up 79 percent of the total revenues for governmental activities in 2018 and, of this amount, 52 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 2018. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2018 and 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<u>Assets</u>						
Current and Other Assets	\$11,883,406	\$10,768,146	\$14,226,870	\$15,625,559	\$26,110,276	\$26,393,705
Net Pension Asset	3,679	0	5,076	0	8,755	0
Capital Assets, Net	18,040,599	18,204,105	29,890,632	30,204,243	47,931,231	48,408,348
Total Assets	<u>29,927,684</u>	<u>28,972,251</u>	<u>44,122,578</u>	<u>45,829,802</u>	<u>74,050,262</u>	<u>74,802,053</u>
<u>Deferred Outflows of Resources</u>						
Pension	1,308,849	2,049,647	591,095	1,176,033	1,792,443	3,147,279
OPEB	674,436	25,268	145,383	18,283	780,234	43,551
Total Deferred Outflows of Resources	<u>1,983,285</u>	<u>2,074,915</u>	<u>736,478</u>	<u>1,194,316</u>	<u>2,572,677</u>	<u>3,190,830</u>
<u>Liabilities</u>						
Current and Other Liabilities	1,236,875	447,618	3,400,683	4,136,113	4,637,558	4,583,731
Long-Term Liabilities						
Pension	7,381,774	8,336,496	2,158,481	2,979,757	9,540,255	11,316,253
OPEB	6,402,850	5,456,323	1,424,062	1,266,026	7,826,912	6,722,349
Other Amounts	1,996,547	2,201,315	14,645,301	16,173,979	16,641,848	18,375,294
Total Liabilities	<u>17,018,046</u>	<u>16,441,752</u>	<u>21,628,527</u>	<u>24,555,875</u>	<u>38,646,573</u>	<u>40,997,627</u>
<u>Deferred Inflows of Resources</u>						
Pension	865,278	282,461	552,418	102,590	1,310,195	306,650
OPEB	191,155	0	106,082	0	257,652	0
Other Amounts	411,116	364,198	48,044	25,219	459,160	389,417
Total Deferred Inflows of Resources	<u>1,467,549</u>	<u>646,659</u>	<u>706,544</u>	<u>127,809</u>	<u>2,027,007</u>	<u>696,067</u>
<u>Net Position</u>						
Net Investment in Capital Assets	15,963,095	16,637,078	15,020,911	14,286,363	30,984,006	30,923,441
Restricted	3,067,264	3,083,509	0	0	3,067,264	3,083,509
Unrestricted (Deficit)	<u>(5,604,985)</u>	<u>(5,761,832)</u>	<u>7,503,074</u>	<u>8,054,071</u>	<u>1,898,089</u>	<u>2,292,239</u>
Total Net Position	<u>\$13,425,374</u>	<u>\$13,958,755</u>	<u>\$22,523,985</u>	<u>\$22,340,434</u>	<u>\$35,949,359</u>	<u>\$36,299,189</u>

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The net pension liability (asset) reported by the City at December 31, 2018, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For 2018, the City adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, end users of these financial statements will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability (asset), and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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

As a result of implementing GASB Statement No. 75, the City is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$19,336,781 to \$13,958,755 for governmental activities and from \$23,588,177 to \$22,340,434 for business-type activities.

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

For governmental activities, there was a sizable increase in current and other assets which was primarily an increase in cash and cash equivalents (over \$1 million). There was a modest increase in overall revenues and decrease overall expenses but no changes that were individually significant. The increase in current and other liabilities was primarily due to an increase in notes payable. A combination of new notes for an improvement project on Brandt Road as well as notes moving from long-term to short-term as the City prepares to pay off some of this debt led to this increase. There was also an increase in contracts payable at year end due to the Brandt Road project.

For business-type activities, the most significant changes were the decrease in current and other assets and the decrease in other long-term liabilities. These changes occurred due to resources used for the retirement of debt. The other change of note was the decrease in current and other liabilities, also due to debt retirement as the liability on bond anticipation notes was reduced.

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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Table 2 reflects the change in net position for 2018 and 2017.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$1,437,975	\$1,403,125	\$17,531,262	\$16,253,751	\$18,969,237	\$17,656,876
Operating Grants, Contributions, and Interest	641,566	821,851	0	0	641,566	821,851
Capital Grants and Contributions	0	213,086	261,742	0	261,742	213,086
Total Program Revenues	2,079,541	2,438,062	17,793,004	16,253,751	19,872,545	18,691,813
General Revenues						
Property Taxes Levied for General Purposes	288,200	313,558	0	0	288,200	313,558
Property Taxes Levied for Police and Fire Pension	52,584	57,248	0	0	52,584	57,248
Municipal Income Taxes Levied for General Purposes	2,555,989	2,664,643	0	0	2,555,989	2,664,643
Municipal Income Taxes Levied for Police and Fire	2,274,713	2,374,907	0	0	2,274,713	2,374,907
Municipal Income Taxes Levied for Recreation	281,277	289,735	0	0	281,277	289,735
Other Local Taxes	451,376	427,853	0	0	451,376	427,853
Grants and Entitlements not Restricted to Specific Programs	235,993	222,078	0	0	235,993	222,078
Franchise Taxes	137,394	121,434	0	0	137,394	121,434
Interest	288,185	169,674	10,964	9,856	299,149	179,530
Other	1,205,863	1,054,770	247,512	217,712	1,453,375	1,272,482
Total General Revenues	7,771,574	7,695,900	258,476	227,568	8,030,050	7,923,468
Total Revenues	9,851,115	10,133,962	18,051,480	16,481,319	27,902,595	26,615,281
<u>Program Expenses</u>						
Security of Persons and Property						
Police	2,635,564	3,257,151	0	0	2,635,564	3,257,151
Fire	2,573,983	1,700,073	0	0	2,573,983	1,700,073
Public Health	736,607	669,298	0	0	736,607	669,298
Leisure Time Activities	338,227	349,184	0	0	338,227	349,184
Community Environment	50,031	219,550	0	0	50,031	219,550
Transportation	1,947,972	2,044,236	0	0	1,947,972	2,044,236
General Government	2,029,648	1,772,386	0	0	2,029,648	1,772,386
Interest and Fiscal Charges	41,768	26,813	0	0	41,768	26,813
Water	0	0	2,466,630	2,070,412	2,466,630	2,070,412
Sewer	0	0	2,225,094	2,529,545	2,225,094	2,529,545
Electric	0	0	12,610,480	12,386,059	12,610,480	12,386,059
Storm Water	0	0	596,421	582,895	596,421	582,895
Total Expenses	10,353,800	10,038,691	17,898,625	17,568,911	28,252,425	27,607,602

(continued)

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2018
Unaudited

Table 2
Change in Net Position
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Increase (Decrease) in Net Position Before Transfers	(\$502,685)	\$95,271	\$152,855	(\$1,087,592)	(\$349,830)	(\$992,321)
Transfers	(30,696)	403	30,696	(403)	0	0
Increase (Decrease) in Net Position	(533,381)	95,674	183,551	(1,087,995)	(349,830)	(992,321)
Net Position Beginning of Year	13,958,755	n/a	22,340,434	n/a	36,299,189	n/a
Net Position End of Year	<u>\$13,425,374</u>	<u>\$13,958,755</u>	<u>\$22,523,985</u>	<u>\$22,340,434</u>	<u>\$35,949,359</u>	<u>\$36,299,189</u>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 program expenses still include OPEB expense of \$43,551 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 financial statements report OPEB expense of \$637,982. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed.

	Governmental Activities	Business-Type Activities	Total
Total 2018 Program Expenses Under GASB Statement No. 75	\$10,353,800	\$17,898,625	\$28,252,425
OPEB Expense Under GASB Statement No. 75	(499,962)	(138,020)	(637,982)
2018 Contractually Required Contribution	11,448	1,002	12,450
Adjusted 2018 Program Expenses	<u>9,865,286</u>	<u>17,761,607</u>	<u>27,626,893</u>
Total 2017 Program Expenses Under GASB Statement No. 45	<u>(10,038,691)</u>	<u>(17,568,911)</u>	<u>(27,607,602)</u>
Increase (Decrease) in Program Expenses Not Related to OPEB	<u>(\$173,405)</u>	<u>\$192,696</u>	<u>\$19,291</u>

For governmental activities, there was 15 percent decrease in program revenues. The decrease in operating grants and contributions is related to a grant received in the prior year from the Ohio Facilities Construction Commission which the City used for repairs to the depot. The decrease in capital grants and contributions was due to a Nature Grant received in the prior year for a new restroom at Amann reservoir and a FEMA grant used for the acquisition of an ambulance. The change for general revenues was not significant. Overall revenues decreased less than 2 percent. After factoring out the effect of the implementation of GASB Statement No. 75, expenses had a modest 2 percent decrease.

As is to be expected, 97 percent of the revenues for business-type activities are received through charges for services provided to the users of the systems. The increase in charges for services revenue was due to a base rate increase for electric usage that went in effect in January 2018. The increase for capital grants and contributions is related to Issue I grant monies received for the SE Stormwater project. Expenses had an insignificant 1 percent increase (again after consideration of the implementation of GASB Statement No. 75).

CITY OF GALION
Management's Discussion and Analysis
For the Year Ended December 31, 2018
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	
	2018	2017	2018	2017
Security of Persons and Property				
Police	\$2,635,564	\$3,257,151	\$2,593,843	\$3,214,449
Fire	2,573,983	1,700,073	2,012,512	988,469
Public Health	736,607	669,298	355,068	284,057
Leisure Time Activities	338,227	349,184	324,447	274,608
Community Environment	50,031	219,550	41,548	19,876
Transportation	1,947,972	2,044,236	1,225,769	1,334,209
General Government	2,029,648	1,772,386	1,679,304	1,458,148
Interest and Fiscal Charges	41,768	26,813	41,768	26,813
Total Expenses	<u>\$10,353,800</u>	<u>\$10,038,691</u>	<u>\$8,274,259</u>	<u>\$7,600,629</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 and operating grants provide for a portion of the costs of providing fire services. Charges for services include charges 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. Charges for services and various grants and contributions provide for 37 percent of transportation costs. 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 had a modest increase in fund balance in 2018 despite a 9 percent decrease in revenues. This decrease is the result of the City not applying a cost allocation charge to its enterprise funds for operational costs provided by governmental funds in 2018. Expenditures increased 3 percent and can be largely attributed to salary and benefit increases.

Fund balance decreased in the Police and Fire Levy Fund. Revenues and expenditures were fairly comparable to the prior with a modest increase in both. This fund receives its revenue from a .5 percent income tax levy for police and fire operations and is used to pay salaries and benefits for a portion of the City's police and firefighters. The remainder of the salaries and benefits, along with operational costs are paid by the General Fund.

CITY OF GALION
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BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

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

The Water Fund had an operating loss and decrease in net position in 2018 (as it did for 2017 as well). Revenues were similar to 2017 but expenses increased 21 percent. Expenses increased in all expense accounts, particularly for materials and supplies.

The Sewer Fund also had an operating loss and decrease in net position in 2018 (in 2017 as well). There was almost no change in revenues and expenses decreased nearly 13 percent. The largest of these decreases was for materials and supplies.

Net position increased for the Electric Fund due to a base rate increase in January 2018 and an increase in revenues. There was very little change in expenses from the prior year.

The Storm Water Fund had an increase net position, a significant portion of which was due to capital contributions (Issue I grant monies for the SE Stormwater project and a lift station on Charles Street).

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. Actual revenues exceeded the final budget primarily due to improved earnings on investments and a reimbursement for police and firefighter salaries. For expenditures, changes from the original budget to the final budget were not significant. Savings were recognized in all programs when comparing actual expenditures to the final budget due to conservative budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2018, was \$18,040,599 and \$29,890,632, respectively (net of accumulated depreciation). The most significant additions for governmental activities were street improvements, both ongoing construction and completed construction, new restroom at Amann Reservoir, and resurfacing of tennis and basketball courts at Heise Park. Disposals were minimal. The primary additions for business-type activities were infrastructure improvements, especially the electric distribution system upgrade. Disposals was primarily infrastructure replacement. For further information regarding the City's capital assets, refer to Note 11 to the basic financial statements.

CITY OF GALION
Management's Discussion and Analysis
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Unaudited

Debt - At December 31, 2018, the City had bond anticipation notes payable from governmental and business-type activities, in the amount of \$1,482,390 and \$1,835,900, respectively. Bond anticipation notes were issued to partially retire notes previously and for new construction on Brandt Road. The City also had a number of long-term obligations outstanding including \$4,030,000 in general obligation bonds, \$1,048,120 in Ohio Public Works Commission loans, and \$8,761,860 in Ohio Water Development Authority loans. Of this debt, \$13,525,021 will be paid from business-type activities.

In addition, the City's long-term obligations also include the net pension/OPEB liability as well as the liability for police and fire incurred when the State of Ohio established the statewide pension system, a loan for the acquisition of a fire truck, compensated absences, and a long-term obligations with AMP-Ohio. For further information regarding the City's debt, refer to Notes 18 and 19 to the basic financial statements.

CURRENT ISSUES

In 2018, the City finished phase II of the Brandt Road project which enabled a new Valero gas station to be completed. The gas station is part of the economic development on the State Route 598/Portland Way business corridor.

The Phase IV and V electric upgrade was completed in 2018.

A restroom was built at Amann Reservoir in 2018.

The State Route 598 sewer line replacement project was completed in 2018 along with an emergency waterline replacement on Harding Way West.

Various Freese Projects were done in 2018, most notably the new restrooms built at Amann Reservoir and tennis courts and basketball courts resurfaced at Heise Park. Further projects are underway for 2019, including new playground equipment at Heise Park and a new bike path.

Street paving included South Street from Harding Way East to Wood Street, Harding Way West from Boston Street to Union Street, Heise Park Lane from Gill Avenue to Portland Way North, Church Street from East Street to the overpass, Fairview Avenue from Hetrick Drive to Payne Avenue, and Atwood Street from the railroad tracks to South Market Street.

On October 4, 2018, the City was released from Fiscal Emergency.

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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total*	Egbert M. Freese Foundation
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$7,607,047	\$10,666,454	\$18,273,501	\$0
Investments in Segregated Accounts	0	0	0	9,666,381
Accounts Receivable	178,172	3,082,364	3,260,536	0
Accrued Interest Receivable	55,356	0	55,356	0
Due from Other Governments	379,183	106,346	485,529	0
Municipal Income Taxes Receivable	1,623,359	0	1,623,359	0
Other Local Taxes Receivable	16,350	0	16,350	0
Excise Taxes Receivable	0	32,216	32,216	0
Internal Balances	279,478	(279,478)	0	0
Prepaid Items	138,079	67,295	205,374	0
Materials and Supplies Inventory	121,575	21,102	142,677	0
Property Taxes Receivable	443,665	0	443,665	0
Payment in Lieu of Taxes Receivable	18,917	48,044	66,961	0
Notes Receivable	1,022,225	0	1,022,225	0
Special Assessments Receivable	0	197,882	197,882	0
Net Pension Asset	3,679	5,076	8,755	0
Nondepreciable Capital Assets	3,495,816	2,571,252	6,067,068	0
Depreciable Capital Assets, Net	14,544,783	27,319,380	41,864,163	0
Investment in Joint Venture	0	284,645	284,645	0
Total Assets	29,927,684	44,122,578	74,050,262	9,666,381
<u>Deferred Outflows of Resources</u>				
Pension	1,308,849	591,095	1,792,443	0
OPEB	674,436	145,383	780,234	0
Total Deferred Outflows of Resources	1,983,285	736,478	2,572,677	0
<u>Liabilities</u>				
Accrued Wages Payable	93,763	38,957	132,720	0
Accounts Payable	37,425	924,109	961,534	0
Contracts Payable	179,417	196,911	376,328	0
Due to Other Governments	126,901	35,696	162,597	0
Retainage Payable	0	16,126	16,126	0
Accrued Interest Payable	23,878	61,801	85,679	0
Notes Payable	772,110	1,835,900	2,608,010	0
Claims Payable	3,381	0	3,381	0
Deposits Held and Due to Others	0	291,183	291,183	0
<u>Long-Term Liabilities</u>				
Due Within One Year	941,307	1,814,499	2,755,806	0
Due in More Than One Year				
Net Pension Liability	7,381,774	2,158,481	9,540,255	0
Net OPEB Liability	6,402,850	1,424,062	7,826,912	0
Other Amounts Due in More Than One Year	1,055,240	12,830,802	13,886,042	0
Total Liabilities	17,018,046	21,628,527	38,646,573	0
<u>Deferred Inflows of Resources</u>				
Property Taxes	392,199	0	392,199	0
Payment in Lieu of Taxes	18,917	48,044	66,961	0
Pension	865,278	552,418	1,310,195	0
OPEB	191,155	106,082	257,652	0
Total Deferred Inflows of Resources	1,467,549	706,544	2,027,007	0

(continued)

City of Galion
Statement of Net Position
December 31, 2018
(continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total*	Egbert M. Freese Foundation
<u>Net Position</u>				
Net Investment in Capital Assets	\$15,963,095	\$15,020,911	\$30,984,006	\$0
Restricted for				
Capital Projects	386,048	0	386,048	0
Police and Fire	871,557	0	871,557	0
Revolving Loans	1,071,750	0	1,071,750	0
Other Purposes	737,909	0	737,909	0
Unrestricted (Deficit)	<u>(5,604,985)</u>	<u>7,503,074</u>	<u>1,898,089</u>	<u>9,666,381</u>
Total Net Position	<u>\$13,425,374</u>	<u>\$22,523,985</u>	<u>\$35,949,359</u>	<u>\$9,666,381</u>

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

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Activities
For the Year Ended December 31, 2018

	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$2,635,564	\$35,206	\$6,515	\$0
Fire	2,573,983	545,150	16,321	0
Public Health	736,607	233,047	148,492	0
Leisure Time Activities	338,227	12,360	1,420	0
Community Environment	50,031	0	8,483	0
Transportation	1,947,972	279,604	442,599	0
General Government	2,029,648	332,608	17,736	0
Interest and Fiscal Charges	41,768	0	0	0
Total Governmental Activities	<u>10,353,800</u>	<u>1,437,975</u>	<u>641,566</u>	<u>0</u>
<u>Business-Type Activities</u>				
Water	2,466,630	1,749,032	0	0
Sewer	2,225,094	1,596,232	0	96,742
Electric	12,610,480	13,450,826	0	0
Storm Water	596,421	735,172	0	165,000
Total Business-Type Activities	<u>17,898,625</u>	<u>17,531,262</u>	<u>0</u>	<u>261,742</u>
Total Primary Government	<u>\$28,252,425</u>	<u>\$18,969,237</u>	<u>\$641,566</u>	<u>\$261,742</u>
<u>Component Unit</u>				
Egbert M. Freese Foundation	<u>\$657,811</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	<u>\$28,910,236</u>	<u>\$18,969,237</u>	<u>\$641,566</u>	<u>\$261,742</u>

General Revenues

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (Note 3)

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
(\$2,593,843)	\$0	(\$2,593,843)	\$0
(2,012,512)	0	(2,012,512)	0
(355,068)	0	(355,068)	0
(324,447)	0	(324,447)	0
(41,548)	0	(41,548)	0
(1,225,769)	0	(1,225,769)	0
(1,679,304)	0	(1,679,304)	0
(41,768)	0	(41,768)	0
<u>(8,274,259)</u>	<u>0</u>	<u>(8,274,259)</u>	<u>0</u>
0	(717,598)	(717,598)	0
0	(532,120)	(532,120)	0
0	840,346	840,346	0
0	303,751	303,751	0
<u>0</u>	<u>(105,621)</u>	<u>(105,621)</u>	<u>0</u>
<u>(8,274,259)</u>	<u>(105,621)</u>	<u>(8,379,880)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(657,811)</u>
<u>(8,274,259)</u>	<u>(105,621)</u>	<u>(8,379,880)</u>	<u>(657,811)</u>
288,200	0	288,200	0
52,584	0	52,584	0
2,555,989	0	2,555,989	0
2,274,713	0	2,274,713	0
281,277	0	281,277	0
451,376	0	451,376	0
235,993	0	235,993	0
137,394	0	137,394	0
288,185	10,964	299,149	(567,257)
1,205,863	247,512	1,453,375	0
<u>7,771,574</u>	<u>258,476</u>	<u>8,030,050</u>	<u>(567,257)</u>
<u>(30,696)</u>	<u>30,696</u>	<u>0</u>	<u>0</u>
<u>7,740,878</u>	<u>289,172</u>	<u>8,030,050</u>	<u>(567,257)</u>
(533,381)	183,551	(349,830)	(1,225,068)
<u>13,958,755</u>	<u>22,340,434</u>	<u>36,299,189</u>	<u>10,891,449</u>
<u>\$13,425,374</u>	<u>\$22,523,985</u>	<u>\$35,949,359</u>	<u>\$9,666,381</u>

City of Galion
Balance Sheet
Governmental Funds
December 31, 2018

	General	Police and Fire Levy	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$6,486,035	\$154,840	\$854,002	\$7,494,877
Accounts Receivable	148,000	0	30,172	178,172
Accrued Interest Receivable	55,356	0	0	55,356
Due from Other Governments	161,005	0	218,178	379,183
Municipal Income Taxes Receivable	811,680	730,512	81,167	1,623,359
Other Local Taxes Receivable	851	0	15,499	16,350
Interfund Receivable	426,653	0	0	426,653
<u>Restricted Assets</u>				
Equity in Pooled Cash and Cash Equivalents	20,345	0	0	20,345
Prepaid Items	76,642	45,985	15,452	138,079
Materials and Supplies Inventory	0	0	121,575	121,575
Property Taxes Receivable	375,165	0	68,500	443,665
Payment in Lieu of Taxes Receivable	0	0	18,917	18,917
Notes Receivable	0	0	1,022,225	1,022,225
Total Assets	\$8,561,732	\$931,337	\$2,445,687	\$11,938,756
<u>Liabilities</u>				
Accrued Wages Payable	\$39,464	\$47,716	\$6,583	\$93,763
Accounts Payable	17,993	0	19,432	37,425
Contracts Payable	3,507	0	175,910	179,417
Due to Other Governments	61,189	12,064	53,648	126,901
Accrued Interest Payable	9,142	0	1,284	10,426
Notes Payable	677,000	0	95,110	772,110
Interfund Payable	0	0	114,493	114,493
Total Liabilities	808,295	59,780	466,460	1,334,535
<u>Deferred Inflows of Resources</u>				
Property Taxes	331,645	0	60,554	392,199
Payment in Lieu of Taxes	0	0	18,917	18,917
Unavailable Revenue	1,212,902	560,061	281,576	2,054,539
Total Deferred Inflows of Resources	1,544,547	560,061	361,047	2,465,655
<u>Fund Balance</u>				
Nonspendable	96,987	45,985	137,027	279,999
Restricted	0	265,511	1,885,208	2,150,719
Assigned	1,131,567	0	0	1,131,567
Unassigned (Deficit)	4,980,336	0	(404,055)	4,576,281
Total Fund Balance	6,208,890	311,496	1,618,180	8,138,566
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$8,561,732	\$931,337	\$2,445,687	\$11,938,756

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, 2018

Total Governmental Fund Balance		\$8,138,566
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.		18,040,599
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	130,131	
Accrued Interest Receivable	38,685	
Due from Other Governments	311,935	
Municipal Income Taxes Receivable	1,240,322	
Delinquent Property Taxes Receivable	51,466	
Interfund Receivable	<u>282,000</u>	
		2,054,539
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		(32,682)
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.		(13,452)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes Payable	(710,280)	
OPWC Loans Payable	(314,959)	
Police Liability	(19,749)	
Fire Liability	(74,860)	
Capital Loan Payable	(154,528)	
Compensated Absences Payable	<u>(722,171)</u>	
		(1,996,547)
The net pension liability (asset) and net OPEB liability are not due and payable in the current period; therefore, the asset, liability, and related deferred inflows/outflows are not reported in governmental funds.		
Net Pension Asset	3,679	
Deferred Outflows - Pension	1,308,849	
Deferred Inflows - Pension	(865,278)	
Net Pension Liability	(7,381,774)	
Deferred Outflows - OPEB	674,436	
Deferred Inflows - OPEB	(191,155)	
Net OPEB Liability	<u>(6,402,850)</u>	
		(12,854,093)
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.		<u>88,444</u>
Net Position of Governmental Activities		<u><u>\$13,425,374</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2018

	General	Police and Fire Levy	Other Governmental	Total Governmental Funds
<u>Revenues</u>				
Property Taxes	\$302,198	\$0	\$55,140	\$357,338
Municipal Income Taxes	2,574,344	2,291,166	283,178	5,148,688
Other Local Taxes	451,376	0	219,140	670,516
Charges for Services	811,055	0	90,985	902,040
Fees, Licenses, and Permits	142,958	0	0	142,958
Fines and Forfeitures	16,542	0	18,664	35,206
Intergovernmental	403,953	0	473,261	877,214
Interest	292,861	4	10,243	303,108
Other	640,856	47,511	505,050	1,193,417
Total Revenues	5,636,143	2,338,681	1,655,661	9,630,485
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	931,296	1,098,563	252,616	2,282,475
Fire	826,122	965,832	285,653	2,077,607
Public Health	672,199	0		672,199
Leisure Time Activities	0	0	594,713	594,713
Community Environment	48,783	0	1,248	50,031
Transportation	0	0	1,654,889	1,654,889
General Government	1,451,284	440,471	34,681	1,926,436
Debt Service:				
Principal Retirement	35,878	0	33,310	69,188
Current Refunding	677,000	0	35,810	712,810
Interest and Fiscal Charges	30,465	0	9,709	40,174
Total Expenditures	4,673,027	2,504,866	2,902,629	10,080,522
Excess of Revenues Over (Under) Expenditures	963,116	(166,185)	(1,246,968)	(450,037)
<u>Other Financing Sources (Uses)</u>				
Bond Anticipation Notes Issued	0	0	710,280	710,280
Current Refunding	0	0	(176,580)	(176,580)
Transfers In	0	0	754,229	754,229
Transfers Out	(713,119)	0	(71,806)	(784,925)
Total Other Financing Sources (Uses)	(713,119)	0	1,216,123	503,004
Changes in Fund Balance	249,997	(166,185)	(30,845)	52,967
Fund Balance Beginning of Year	5,958,893	477,681	1,649,025	8,085,599
Fund Balance End of Year - Restated (Note 3)	<u>\$6,208,890</u>	<u>\$311,496</u>	<u>\$1,618,180</u>	<u>\$8,138,566</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, 2018

Changes in Fund Balance - Total Governmental Funds		\$52,967
<p>Amounts reported for governmental activities on the statement of activities are different because of the following:</p> <p>Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.</p>		
Capital Outlay - Nondepreciable Capital Assets	698,530	
Capital Outlay - Depreciable Capital Assets	504,708	
Depreciation	<u>(1,366,744)</u>	(163,506)
<p>Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.</p>		
Delinquent Property Taxes	(16,554)	
Municipal Income Taxes	(36,709)	
Charges for Services	273,044	
Fees, Licenses, and Permits	2,981	
Intergovernmental	(13,567)	
Interest	(5,181)	
Other	<u>16,616</u>	220,630
<p>Debt proceeds are reported as other financing sources in the governmental funds but the issuance increases long-term liabilities on the statement of net position.</p>		
Notes Issued		(710,280)
<p>Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.</p>		
Bond Anticipation Notes Payable	889,390	
OPWC Loans Payable	29,405	
Police Liability	815	
Fire Liability	3,090	
Capital Loan Payable	<u>35,878</u>	958,578
<p>Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.</p>		
		(1,594)
<p>Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		(43,530)
<p>Except for amounts reported as deferred outflows/inflows, changes in the net pension/OPEB liability are reported as pension expense on the statement of activities.</p>		
Pension	(1,012,551)	
OPEB	<u>(499,962)</u>	(1,512,513)
<p>Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.</p>		
Pension	647,337	
OPEB	<u>11,448</u>	658,785
<p>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.</p>		
		<u>7,082</u>
Change in Net Position of Governmental Activities		<u><u>(\$533,381)</u></u>

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$299,400	\$299,400	\$302,198	\$2,798
Municipal Income Taxes	2,610,936	2,610,936	2,567,809	(43,127)
Other Local Taxes	441,777	441,777	454,486	12,709
Charges for Services	1,039,888	1,039,888	1,064,099	24,211
Fees, Licenses, and Permits	127,156	127,156	142,958	15,802
Fines and Forfeitures	13,000	13,000	16,679	3,679
Intergovernmental	388,833	388,833	388,270	(563)
Interest	170,000	170,000	300,189	130,189
Other	198,393	198,393	579,557	381,164
Total Revenues	5,289,383	5,289,383	5,816,245	526,862
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,043,125	1,043,125	981,975	61,150
Fire	951,755	971,755	842,851	128,904
Public Health	743,726	743,726	696,942	46,784
Community Environment	84,000	205,000	172,568	32,432
General Government	1,860,625	1,834,624	1,606,863	227,761
Debt Service:				
Principal Retirement	830,900	830,900	830,878	22
Interest and Fiscal Charges	25,400	25,400	23,194	2,206
Total Expenditures	5,539,531	5,654,530	5,155,271	499,259
Excess of Revenues Over (Under) Expenditures	(250,148)	(365,147)	660,974	1,026,121
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	0	0	61,470	61,470
Other Financing Uses	0	(100)	(18)	(82)
Bond Anticipation Notes Issued	677,000	677,000	677,000	0
Advances In	257,444	257,444	768,733	511,289
Advances Out	(72,044)	(583,334)	(511,290)	72,044
Transfers Out	(1,038,141)	(1,213,641)	(713,119)	500,522
Total Other Financing Uses	(175,741)	(862,631)	282,776	1,145,243
Changes in Fund Balance	(425,889)	(1,227,778)	943,750	2,171,528
Fund Balance Beginning of Year	5,237,428	5,237,428	5,237,428	0
Prior Year Encumbrances Appropriated	165,435	165,435	165,435	0
Fund Balance End of Year	\$4,976,974	\$4,175,085	\$6,346,613	\$2,171,528

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Police and Fire Levy Special Revenue Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Over
	Original	Final		
<u>Revenues</u>				
Municipal Income Taxes	\$2,254,539	\$2,254,539	\$2,285,351	\$30,812
Interest	0	0	4	4
Total Revenues	2,254,539	2,254,539	2,285,355	30,816
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,253,526	1,253,526	1,115,045	138,481
Fire	1,001,690	1,001,690	980,046	21,644
General Government	67,643	508,114	440,471	67,643
Total Expenditures	2,322,859	2,763,330	2,535,562	227,768
Excess of Revenues (Under) Expenditures	(68,320)	(508,791)	(250,207)	258,584
<u>Other Financing Sources</u>				
Other Financing Sources	0	0	47,511	47,511
Transfers In	30,000	30,000	0	(30,000)
Total Other Financing Sources	30,000	30,000	47,511	17,511
Changes in Fund Balance	(38,320)	(478,791)	(202,696)	276,095
Fund Balance Beginning of Year	314,220	314,220	314,220	0
Prior Year Encumbrances Appropriated	43,316	43,316	43,316	0
Fund Balance (Deficit) End of Year	\$319,216	(\$121,255)	\$154,840	\$276,095

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	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	\$1,898,690	\$3,297,626	\$3,795,671	\$1,383,284	\$10,375,271
Accounts Receivable	402,675	331,418	2,222,307	125,964	3,082,364
Due from Other Governments	0	5,432	0	100,914	106,346
Excise Taxes Receivable	0	0	32,216	0	32,216
Interfund Receivable	0	0	35,168	0	35,168
Prepaid Items	19,677	18,762	22,823	6,033	67,295
Materials and Supplies Inventory	14,154	6,948	0	0	21,102
Payment in Lieu of Taxes Receivable	6,757	14,187	0	27,100	48,044
Special Assessments Receivable	10,762	17,527	0	0	28,289
Total Current Assets	2,352,715	3,691,900	6,108,185	1,643,295	13,796,095
<u>Non-Current Assets</u>					
<u>Restricted Assets</u>					
Equity in Pooled Cash and Cash Equivalents	82,227	78,651	130,305	0	291,183
Special Assessments Receivable	64,433	105,160	0	0	169,593
Net Pension Asset	1,663	1,225	1,488	700	5,076
Nondepreciable Capital Assets	902,699	1,187,965	165,114	315,474	2,571,252
Depreciable Capital Assets, Net	5,473,138	6,708,493	10,189,739	4,948,010	27,319,380
Investment in Joint Venture	0	0	284,645	0	284,645
Total Non-Current Assets	6,524,160	8,081,494	10,771,291	5,264,184	30,641,129
Total Assets	8,876,875	11,773,394	16,879,476	6,907,479	44,437,224
<u>Deferred Outflows of Resources</u>					
Pension	218,424	125,558	156,352	122,228	622,562
OPEB	63,467	25,538	31,010	44,755	164,770
Total Deferred Outflows of Resources	281,891	151,096	187,362	166,983	787,332
<u>Liabilities</u>					
<u>Current Liabilities</u>					
Accrued Wages Payable	11,266	10,715	12,655	4,321	38,957
Accounts Payable	54,760	23,124	841,688	4,537	924,109
Contracts Payable	0	14,986	0	181,925	196,911
Due to Other Governments	10,344	9,271	11,768	4,313	35,696
Retainage Payable	0	0	0	16,126	16,126
Compensated Absences Payable	29,101	114,472	38,731	12,856	195,160
Interfund Payable	118,615	99,237	106,690	22,786	347,328
Accrued Interest Payable	0	11,321	48,481	1,999	61,801
Notes Payable	0	838,300	834,000	163,600	1,835,900
Claims Payable	0	0	0	0	0
General Obligation Bonds Payable	0	0	958,000	0	958,000
OPWC Loans Payable	10,555	0	0	32,518	43,073
OWDA Loans Payable	291,953	268,515	0	0	560,468
AMP Ohio Payable	0	0	57,798	0	57,798
Total Current Liabilities	526,594	1,389,941	2,909,811	444,981	5,271,327

Governmental
Activity
Internal
Service
Fund

\$91,825
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91,825

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3,381

City of Galion
Statement of Fund Net Position
Proprietary Funds
December 31, 2018
(continued)

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
<u>Non-Current Liabilities</u>					
Deposits Held and Due to Others	\$82,227	\$78,651	\$130,305	\$0	\$291,183
General Obligation Bonds Payable	0	0	3,072,000	0	3,072,000
OPWC Loans Payable	43,890	0	0	646,198	690,088
OWDA Loans Payable	4,377,447	3,823,945	0	0	8,201,392
Compensated Absences Payable	168,669	113,142	54,572	25,712	362,095
AMP Ohio Payable	0	0	505,227	0	505,227
Net Pension Liability	707,090	521,010	632,659	297,722	2,158,481
Net OPEB Liability	466,503	343,739	417,397	196,423	1,424,062
Total Non-Current Liabilities	5,845,826	4,880,487	4,812,160	1,166,055	16,704,528
Total Liabilities	6,372,420	6,270,428	7,721,971	1,611,036	21,975,855
<u>Deferred Inflows of Resources</u>					
Payment in Lieu of Taxes	6,757	14,187	0	27,100	48,044
Pension	167,066	152,214	194,282	70,323	583,885
OPEB	34,751	42,902	33,184	14,632	125,469
Total Deferred Inflows of Resources	208,574	209,303	227,466	112,055	757,398
<u>Net Position</u>					
Net Investment in Capital Assets	1,651,992	3,654,949	5,490,853	4,223,117	15,020,911
Unrestricted	925,780	1,789,810	3,626,548	1,128,254	7,470,392
Total Net Position	\$2,577,772	\$5,444,759	\$9,117,401	\$5,351,371	22,491,303
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.					32,682
Net position of business-type activities					<u>\$22,523,985</u>

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity
Internal
Service
Fund

\$0
0
0
0
0
0
0
0

0

3,381

0
0
0

0

0
88,444

\$88,444

City of Galion
Statement of Revenues, Expenses,
and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities				Total Enterprise Funds
	Water	Sewer	Electric	Storm Water	
<u>Operating Revenues</u>					
Charges for Services	\$1,749,032	\$1,596,232	\$13,450,826	\$735,172	\$17,531,262
Other	56,300	40,218	119,234	31,760	247,512
Total Operating Revenues	<u>1,805,332</u>	<u>1,636,450</u>	<u>13,570,060</u>	<u>766,932</u>	<u>17,778,774</u>
<u>Operating Expenses</u>					
Salaries	610,280	487,100	555,502	164,587	1,817,469
Benefits	482,521	391,025	452,393	191,824	1,517,763
Contractual Services	271,745	318,267	10,593,114	50,656	11,233,782
Materials and Supplies	482,293	162,791	122,350	25,391	792,825
Claims	0	0	0	0	0
Depreciation	373,664	609,973	197,270	139,008	1,319,915
Other	96,938	90,538	76,530	22,787	286,793
Total Operating Expenses	<u>2,317,441</u>	<u>2,059,694</u>	<u>11,997,159</u>	<u>594,253</u>	<u>16,968,547</u>
Operating Income (Loss)	<u>(512,109)</u>	<u>(423,244)</u>	<u>1,572,901</u>	<u>172,679</u>	<u>810,227</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest Revenue	0	0	10,964	0	10,964
Interest Expense	(150,437)	(166,606)	(234,888)	(2,250)	(554,181)
Loss on Disposal of Capital Assets	0	0	(213,326)	0	(213,326)
Loss from Joint Venture	0	0	(166,730)	0	(166,730)
Total Non-Operating Revenues (Expenses)	<u>(150,437)</u>	<u>(166,606)</u>	<u>(603,980)</u>	<u>(2,250)</u>	<u>(923,273)</u>
Income (Loss) before Transfers	(662,546)	(589,850)	968,921	170,429	(113,046)
Capital Contributions	0	96,742	0	165,000	261,742
Transfers In	27,286	44,520	0	3,260	75,066
Transfers Out	(10,961)	(33,409)	0	0	(44,370)
Changes in Net Position	(646,221)	(481,997)	968,921	338,689	179,392
Net Position Beginning of Year - Restated (Note 3)	<u>3,223,993</u>	<u>5,926,756</u>	<u>8,148,480</u>	<u>5,012,682</u>	
Net Position End of Year	<u>\$2,577,772</u>	<u>\$5,444,759</u>	<u>\$9,117,401</u>	<u>\$5,351,371</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 income of the internal service fund.					<u>4,159</u>
Change in net position of business-type activities					<u>\$183,551</u>

See Accompanying Notes to the Basic Financial Statements

Governmental
Activity
Internal
Service
Fund

\$84,000
0

84,000

0
0
7,724
0
65,035
0
0

72,759

11,241

0
0

0

0

11,241

0
0
0

11,241

77,203

\$88,444

City of Galion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities			
	Water	Sewer	Electric	Storm Water
Increases (Decreases) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers	\$1,729,506	\$1,579,444	\$13,363,703	\$726,204
Cash Received from Transactions with Other Funds	0	0	0	0
Cash Received from Deposits	21,741	21,441	45,618	0
Cash Received from Other Revenues	50,327	27,756	109,985	7,429
Cash Payments for Salaries	(595,120)	(499,847)	(554,720)	(153,894)
Cash Payments for Benefits	(357,683)	(357,697)	(391,492)	(110,666)
Cash Payments for Contractual Services	(261,624)	(319,290)	(10,739,297)	(37,535)
Cash Payments for Materials and Supplies	(434,369)	(202,374)	(119,531)	0
Cash Payments for Claims	0	0	0	0
Cash Payments for Deposits Refunded	(21,733)	(21,533)	(44,235)	0
Cash Payments for Other Expenses	(84,130)	(79,467)	(95,199)	(21,967)
Net Cash Provided by Operating Activities	<u>46,915</u>	<u>148,433</u>	<u>1,574,832</u>	<u>409,571</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers Out	<u>0</u>	<u>(15,525)</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Grants (Capital Contributions)	0	91,310	0	97,949
Principal Paid on Bond Anticipation Notes	0	(916,000)	(1,575,000)	(23,400)
Principal Paid on General Obligation Bonds	0	0	(921,000)	0
Principal Paid on OPWC Loans	(10,555)	0	0	(41,925)
Principal Paid on OWDA Loans	(262,449)	(225,066)	0	0
Interest Paid on Bond Anticipation Notes	0	(17,404)	(29,924)	(445)
Interest Paid on General Obligation Bonds	0	0	(214,525)	0
Interest Paid on OWDA Loans	(144,065)	(135,065)	0	0
Bond Anticipation Notes Issued	0	838,300	834,000	163,600
Acquisition of Capital Assets	(101,370)	(272,508)	(541,054)	(283,497)
Net Cash Used for Capital and Related Financing Activities	<u>(518,439)</u>	<u>(636,433)</u>	<u>(2,447,503)</u>	<u>(87,718)</u>
<u>Cash Flows from Investing Activities</u>				
Interest	<u>0</u>	<u>0</u>	<u>10,964</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(471,524)	(503,525)	(861,707)	321,853
Cash and Cash Equivalents Beginning of Year	<u>2,452,441</u>	<u>3,879,802</u>	<u>4,787,683</u>	<u>1,061,431</u>
Cash and Cash Equivalents End of Year	<u><u>\$1,980,917</u></u>	<u><u>\$3,376,277</u></u>	<u><u>\$3,925,976</u></u>	<u><u>\$1,383,284</u></u>

Total Enterprise Funds	Governmental Activity Internal Service Fund
\$17,398,857	\$0
0	84,000
88,800	0
195,497	0
(1,803,581)	0
(1,217,538)	0
(11,357,746)	0
(756,274)	(7,724)
0	(67,179)
(87,501)	0
(280,763)	0
<u>2,179,751</u>	<u>9,097</u>
<u>(15,525)</u>	<u>0</u>
189,259	0
(2,514,400)	0
(921,000)	0
(52,480)	0
(487,515)	0
(47,773)	0
(214,525)	0
(279,130)	0
1,835,900	0
(1,198,429)	0
<u>(3,690,093)</u>	<u>0</u>
<u>10,964</u>	<u>0</u>
(1,514,903)	9,097
<u>12,181,357</u>	<u>82,728</u>
<u>\$10,666,454</u>	<u>\$91,825</u>

(continued)

City of Galion
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018
(continued)

	Business-Type Activities			
	Water	Sewer	Electric	Storm Water
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>				
Operating Income (Loss)	(\$512,109)	(\$423,244)	\$1,572,901	\$172,679
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>				
Depreciation	373,664	609,973	197,270	139,008
Changes in Assets and Liabilities:				
Increase in Accounts Receivable	(25,281)	(28,893)	(95,921)	(33,299)
Decrease in Excise Taxes Receivable	0	0	3,568	0
(Increase) Decrease in Interfund Receivable	7,516	2,792	(451)	36,348
Increase in Prepaid Items	(14,853)	(13,938)	(14,019)	(4,918)
(Increase) Decrease in Materials and Supplies Inventory	3,378	(3,156)	0	0
Increase in Special Assessments Receivable	(218)	(357)	0	0
Increase in Accrued Wages Payable	869	2,152	3,010	2,367
Increase (Decrease) in Accounts Payable	47,347	(21,972)	(89,528)	3,524
Decrease in Contracts Payable	0	(12,380)	0	(351)
Increase (Decrease) in Due to Other Governments	757	(5,193)	(2,959)	203
Increase (Decrease) in Compensated Absences Payable	14,291	(14,899)	(2,228)	8,326
Increase (Decrease) in Interfund Payable	12,960	11,002	(21,539)	820
Decrease in Claims Payable	0	0	0	0
Increase (Decrease) in Deposits Held and Due to Others	8	(92)	1,383	0
Decrease in AMP Ohio Payable	0	0	(51,999)	0
Increase in Net Pension Asset	(1,038)	(872)	(1,006)	(386)
Increase in Net Pension Liability	15,380	11,331	13,761	6,474
Decrease in Deferred Outflows - Pension	151,726	100,153	140,185	82,076
Decrease in Deferred Inflows - Pension	(79,603)	(84,783)	(111,501)	(33,483)
Increase in Net OPEB Liability	25,299	18,642	22,636	10,652
Decrease in Deferred Outflows - OPEB	35,510	16,838	20,042	23,189
Decrease in Deferred Inflows - OPEB	(8,688)	(14,671)	(8,773)	(3,658)
Net Cash Provided by Operating Activities	<u>\$46,915</u>	<u>\$148,433</u>	<u>\$1,574,832</u>	<u>\$409,571</u>

Non-Cash Capital Transactions

At December 31, 2018, the Sewer enterprise fund had payables related to the acquisition of capital assets, in the amount of \$14,986. In addition, a corresponding receivable was recorded, in the amount of \$5,432 for a requested and approved reimbursement on the OPWC project.

At December 31, 2017, the Electric enterprise fund had payables related to the acquisition of capital assets, in the amount of \$193,103.

At December 31, 2018, the Storm Water enterprise fund had payables related to the acquisition of capital assets, in the amount of \$198,051. In addition, a corresponding receivable was recorded, in the amount of \$100,914, for a requested and approved reimbursement on the OPWC project.

At December 31, 2017, the Storm Water enterprise fund had payables related to the acquisition of capital assets, in the amount of \$1,993.

At December 31, 2018, the Storm Water enterprise fund accepted a donation of capital assets from governmental funds, in the amount of \$3,260.

See Accompanying Notes to the Basic Financial Statements

Total Enterprise Funds	Governmental Activity Internal Service Fund
\$810,227	\$11,241
1,319,915	0
(183,394)	0
3,568	0
46,205	0
(47,728)	0
222	0
(575)	0
8,398	0
(60,629)	0
(12,731)	0
(7,192)	0
5,490	0
3,243	0
0	(2,144)
1,299	0
(51,999)	0
(3,302)	0
46,946	0
474,140	0
(309,370)	0
77,229	0
95,579	0
(35,790)	0
<u>\$2,179,751</u>	<u>\$9,097</u>

City of Galion
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2018

<u>Assets</u>	
Equity in Pooled Cash and Cash Equivalents	\$46
<u>Liabilities</u>	
Accounts Payable	46

See Accompanying Notes to the Basic Financial Statements

City of Galion
Statement of Change in Fiduciary Net Position
Custodial Funds
December 31, 2018

<u>Additions</u>	
Amounts Held for Employees	<u>\$188,623</u>
<u>Deductions</u>	
Distributions on Behalf of Employees	<u>188,623</u>
Net Increase (Decrease) in Fiduciary Net Position	0
Net Position Beginning of Year - Restated (Note 3)	<u>0</u>
Net Position End of Year	<u><u>\$0</u></u>
See Accompanying Notes to the Basic Financial Statements	

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 22 to the basic financial statements.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 2018, the City received \$475,000 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 a public entity shared risk pool, two joint ventures, a jointly governed organization, and a related organization. These organizations are the Public Entities Pool of Ohio, 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 23, 24, 25, and 26 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, 2018

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, 2018

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 (and other employee benefits) trust funds, investment trust funds, private purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary funds are custodial funds. Custodial funds are used to account for assets held by the City for the distribution of employee payroll withholdings.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 and fiduciary funds are accounted for using a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to beneficiaries of fiduciary activity is recognized when an event has occurred that compels the City to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

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

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

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 outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. For the City, deferred outflows of resources are reported on the government-wide and proprietary funds statement of net position for pension/OPEB and explained in Note 15 and Note 16 to the basic financial statements.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources consists of property taxes, payment in lieu of taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, interfund, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 19. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position and explained in Note 15 and Note 16 to the basic financial statements.

Expenses/Expenditures

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

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

E. Budgetary Process

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018, the City invested in mutual funds, negotiable certificates of deposit, federal agency securities, U.S. treasury securities, commercial paper, and STAR Ohio. Investments are reported at fair value. Fair value is based on quoted market price or current share price. Commercial paper is measured at amortized cost as it is a highly liquid debt instrument with a remaining maturity at the time of purchase of less than one year. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, “Certain External Investment Pools and Pool Participants”. The City measures the investment in STAR Ohio at net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding \$25 million. Star Ohio reserves the right to limit the transaction to \$100 million requiring the excess amount to be transacted the following business day(s) but only to the \$100 million limit. All accounts of the participant will be combined for this purpose.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2018 was \$292,861 which includes \$164,679 assigned from other City funds.

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

G. Restricted Assets

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, 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 acquisition value on the date donated. The City maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 Activity

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

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

L. Compensated Absences

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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. The net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient to pay those benefits. Long-term notes, OPWC loans, the police and fire 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 airport improvements, drug enforcement, economic development and rehabilitation, street maintenance and repairs, various recreational activities, and a visitor's bureau. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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).

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Assigned - Amounts in the assigned classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by City Council. The City Council has authorized the Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council has also assigned amounts to cover a gap between estimated resources and appropriations in the 2019 budget.

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

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

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.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. Pension/Other Postemployment Benefits

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

S. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET POSITION

For 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 84, "Fiduciary Activities", Statement No. 85, "Omnibus 2017", Statement No. 89, "Accounting for Interest Costs Incurred Before the End of a Construction Period", and related guidance from GASB Implementation Guide No. 2017-3, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET POSITION (continued)

For 2018, the City also implemented GASB Implementation Guide No. 2017-1. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of beginning net position, in the amount of \$0.

The implementation of GASB Statements No. 75 and No. 84 had the following effect on fund balance/net position as previously reported.

	General	Police and Fire Levy	Other Governmental	Total
Fund Balance December 31, 2017	\$5,958,160	\$477,681	\$1,596,729	\$8,032,570
GASB Statement No. 84	733	0	52,296	53,029
Restated Net Position December 31, 2017	\$5,958,893	\$477,681	\$1,649,025	\$8,085,559

	Water	Sewer	Electric	Storm Water
Net Position				
December 31, 2017	\$3,609,659	\$6,267,050	\$8,534,146	\$5,148,799
Net OPEB Liability	(391,317)	(345,280)	(391,317)	(138,112)
Deferred Outflows - Payments Subsequent to the Measurement Date	5,651	4,986	5,651	1,995
Restated Net Position December 31, 2017	\$3,223,993	\$5,926,756	\$8,148,480	\$5,012,682

	Governmental Activities	Business-Type Activities
Net Position December 31, 2017	\$19,336,781	\$23,588,177
Net OPEB Liability	(5,456,323)	(1,266,026)
Deferred Outflows - Payments Subsequent to the Measurement Date	25,268	18,283
GASB Statement No. 84	53,029	0
Restated Net Position December 31, 2017	\$13,958,755	\$22,340,434

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE/NET POSITION (continued)

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred outflows/inflows of resources as the information needed to generate these restatements was not available.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits (OPEB)). These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 89 establishes accounting requirements for interest costs incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

At December 31, 2018, the following funds had deficit fund balances:

Fund	Deficit
Nonmajor Special Revenue Funds	
Street Maintenance and Repair	\$122,171
Police Pension	17,300
Fire Pension	23,913
Nonmajor Debt Service Fund	
Cheshire Special Assessment	114,493

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

B. Compliance

The following funds had expenditures in excess of appropriations for the year ended December 31, 2018.

	Appropriations	Expenditures	Excess
General Fund			
Security of Persons and Property - Police			
Dispatch			
Benefits	\$125,440	\$125,506	(\$66)
Public Health			
General Health Department			
Salaries and Wages	364,300	365,279	(979)

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE (continued)

	Appropriations	Expenditures	Excess
Water Fund			
Waterworks Billing and Collections			
Benefits	74,223	75,069	(846)
Waterworks Filtration			
Benefits	164,347	164,374	(27)
Storm Water Fund			
Storm Water Distribution			
Capital Outlay	437,818	494,780	(56,962)

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

The Police and Fire Levy and the Street Maintenance and Repair special revenue funds had appropriations in excess of estimated resources plus available balances, in the amount of \$121,255 and \$10,290, respectively.

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, 2018

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	\$249,997	(\$166,185)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2017, Received in Cash 2018	561,242	164,636
Accrued 2018, Not Yet Received in Cash	(319,670)	(170,451)
Expenditure Accruals:		
Accrued 2017, Paid in Cash 2018	(171,275)	(44,491)
Accrued 2018, Not Yet Paid in Cash	131,295	59,780
Cash Accruals:		
Unrecorded Activity 2017	1,338	0
Unrecorded Activity 2018	(783)	0
Prepaid Items	(51,360)	(45,985)
Bond Anticipation Notes Issued	677,000	0
Bond Anticipation Notes Retired	(118,000)	0
Advances In	768,733	0
Advances Out	(511,290)	0
Encumbrances Outstanding at Year End (Budget Basis)	(273,477)	0
Budget Basis	\$943,750	(\$202,696)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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, 2018

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

Investments

Investments are reported at fair value. As of December 31, 2018, the City had the following investments:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Fair Value - Level One Inputs					
Mutual Funds	\$348,378	\$348,378	\$0	\$0	\$0
Fair Value - Level Two Inputs					
Negotiable Certificates of Deposit	1,400,594	0	0	0	1,400,594
Federal Home Loan Bank Notes	1,356,421	0	0	736,822	619,599
Federal Home Loan Mortgage Corporation Notes	5,178,257	498,415	1,823,066	1,638,726	1,218,050
Federal National Mortgage Association Notes	2,773,211	498,175	1,488,420	786,616	0
U.S. Treasury Notes	1,218,412	1,218,412	0	0	0
Commercial Paper	1,232,828	812,189	420,639	0	0
Total Fair Value - Level Two Inputs	<u>13,159,723</u>	<u>3,027,191</u>	<u>3,732,125</u>	<u>3,162,164</u>	<u>3,238,243</u>
Net Value Per Share					
STAR Ohio	3,048,188	3,048,188	0	0	0
Total Investments	<u>\$16,556,289</u>	<u>\$6,423,757</u>	<u>\$3,732,125</u>	<u>\$3,162,164</u>	<u>\$3,238,243</u>

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the City's recurring fair value measurements as of December 31, 2018. The City's investment in mutual funds measured at fair value are valued using quoted market prices (Level 1 inputs). The remainder of the City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/ dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

The negotiable certificates of deposit are generally covered by FDIC insurance. The mutual funds, federal agency securities, and U.S. treasury securities carry a rating of Aaa by Moody's. The commercial paper has a rating of P-1. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Commercial paper must be rated in the highest category at the time of purchase by two nationally recognized standard rating services. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

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

	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Negotiable Certificates of Deposit	\$1,400,594	8.46%
Federal Home Loan Bank	1,356,421	8.19
Federal Home Loan Mortgage Corporation	5,178,257	31.28
Federal National Mortgage Association	2,773,211	16.75
U.S. Treasury Notes	1,218,412	7.36
Commercial Paper	1,232,828	7.45

NOTE 7 - RECEIVABLES

Receivables at December 31, 2018, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; excise taxes; interfund; payment in lieu of taxes; 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, and special assessments. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$1,010,354, will not be received within one year. Special assessments, in the amount of \$169,614, will not be received within one year. At December 31, 2018, the amount of delinquent special assessments was \$643.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 7 - RECEIVABLES (continued)

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

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$27,407
Local Government	78,445
Cigarette Taxes	367
Crawford City	920
Victims of Crime	12,980
Ohio Attorney General	1,689
Ohio Department of Health	21,853
City of Portsmouth	17,344
Total General Fund	161,005
Nonmajor Funds	
Police Drug Fines	
Crawford City	161
State Highway	
Gasoline Tax	13,036
Motor Vehicle License Tax	2,941
Total State Highway	15,977
Street Maintenance and Repair	
Gasoline Tax	160,776
Motor Vehicle License Tax	36,274
Total Street Maintenance and Repair	197,050
Police Pension	
Homestead and Rollback	2,495
Fire Pension	
Homestead and Rollback	2,495
Total Nonmajor Funds	218,178
Total Governmental Activities	\$379,183

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 7 - RECEIVABLES (continued)

	<u>Amount</u>
Business-Type Activities	
Sewer	
OPWC	\$5,432
Storm Water	
OPWC	100,914
Total Business-Type Activities	<u>\$106,346</u>

NOTE 8 - MUNICIPAL INCOME TAXES

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

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

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

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2018 represent the collection of 2017 taxes. Real property taxes received in 2018 were levied after October 1, 2017, on the assessed values as of January 1, 2017, 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 2018 represent the collection of 2017 taxes. Public utility real and tangible personal property taxes received in 2018 became a lien on December 31, 2016, were levied after October 1, 2017, 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 City Treasurer collects property taxes on behalf of all taxing districts within the City, including the City of Galion. The City Auditor periodically remits to the City its portion of the taxes collected.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 9 - PROPERTY TAXES (continued)

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2018 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, 2018, was \$3.90 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

Category	Amount
Real Property	
Agricultural	\$726,720
Residential	88,640,350
Commercial	20,994,360
Industrial	6,479,170
Public Utility Property	
Real	47,210
Personal	1,558,930
Total Assessed Value	\$118,446,740

NOTE 10 - PAYMENT IN LIEU OF TAXES

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 11 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,485,816	\$0	\$0	\$3,485,816
Construction in Progress	17,329	698,530	(705,859)	10,000
Total Nondepreciable Capital Assets	3,503,145	698,530	(705,859)	3,495,816
Depreciable Capital Assets				
Buildings	1,200,110	77,302	0	1,277,412
Improvements Other Than Buildings	1,655,753	238,748	0	1,894,501
Streets	29,738,534	882,463	(35,681)	30,585,316
Bridges	1,236,330	0	0	1,236,330
Equipment	1,326,646	12,054	0	1,338,700
Vehicles	3,129,344	0	0	3,129,344
Total Depreciable Capital Assets	38,286,717	1,210,567	(35,681)	39,461,603
Less Accumulated Depreciation for				
Buildings	(622,518)	(26,522)	0	(649,040)
Improvements Other Than Buildings	(561,180)	(74,071)	0	(635,251)
Streets	(19,738,504)	(1,021,191)	35,681	(20,724,014)
Bridges	(722,086)	(24,727)	0	(746,813)
Equipment	(832,124)	(69,509)	0	(901,633)
Vehicles	(1,109,345)	(150,724)	0	(1,260,069)
Total Accumulated Depreciation	(23,585,757)	(1,366,744)	35,681	(24,916,820)
Total Depreciable Capital Assets, Net	14,700,960	(156,177)	0	14,544,783
Governmental Activities Capital Assets, Net	\$18,204,105	\$542,353	(\$705,859)	\$18,040,599
	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$2,211,015	\$0	\$0	\$2,211,015
Construction in Progress	5,264,139	1,023,470	(5,927,372)	360,237
Total Nondepreciable Capital Assets	7,475,154	1,023,470	(5,927,372)	2,571,252
Depreciable Capital Assets				
Buildings	19,700,245	0	0	19,700,245
Improvements Other Than Buildings	7,599,975	0	0	7,599,975
Water, Sewer, Electric, and Storm Water Lines	13,862,217	6,018,584	(820,486)	19,060,315
Equipment	3,602,775	83,630	0	3,686,405
Vehicles	1,478,852	21,318	(41,256)	1,458,914
Total Depreciable Capital Assets	46,244,064	6,123,532	(861,742)	51,505,854

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 11 - CAPITAL ASSETS (continued)

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Business-Type Activities: (continued)				
Less Accumulated Depreciation for				
Buildings	(\$12,707,673)	(\$712,023)	0	(\$13,419,696)
Improvements Other Than Buildings	(2,907,699)	(140,747)	0	(3,048,446)
Water, Sewer, Electric, and Storm Water Lines	(4,791,682)	(255,745)	607,160	(4,440,267)
Equipment	(2,368,802)	(145,379)	0	(2,514,181)
Vehicles	(739,119)	(66,021)	41,256	(763,884)
Total Accumulated Depreciation	<u>(23,514,975)</u>	<u>(1,319,915)</u>	<u>648,416</u>	<u>(24,186,474)</u>
Total Depreciable Capital Assets, Net	<u>22,729,089</u>	<u>4,803,617</u>	<u>(213,326)</u>	<u>27,319,380</u>
Business-Type Activities Capital Assets, Net	<u>\$30,204,243</u>	<u>\$5,827,087</u>	<u>(\$6,140,698)</u>	<u>\$29,890,632</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$25,420
Security of Persons and Property - Fire	108,366
Public Health	2,331
Leisure Time Activities	53,009
Transportation	1,153,647
General Government	23,971
Total Depreciation Expense - Governmental Activities	<u>\$1,366,744</u>

NOTE 12 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2018, the General Fund had an interfund receivable, in the amount of \$426,653; \$114,493 from other governmental funds for short-term loans made to those funds, and \$96,938 from the Water enterprise fund, \$85,746 from the Sewer enterprise fund, \$106,690 from the Electric enterprise fund, and \$22,786 from the Storm Water enterprise fund for services provided to those funds.

The Electric enterprise fund had an interfund receivable, in the amount of \$35,168; \$21,677 from the Water enterprise fund, and \$13,491 from the Sewer enterprise fund for services provided to those funds.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Public Entities Pool of Ohio, a public entity shared risk pool. The City pays an annual premium to the pool for various types of insurance coverage. Member cities agree to share in the coverage of losses and pay all premiums necessary for the specified insurance coverage. Upon withdrawal from the Pool, a participant is responsible for the payment of all liabilities accruing as a result of withdrawal. During 2018, the City had the following insurance coverage:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$22,272,849	\$1,000
Personal Property	1,087,135	1,000
Flood/Earthquake	1,000,000	50,000
General Liability		
Per Occurrence	6,000,000	0
Employee Benefits Liability	1,000,000	0
Stop Gap Liability	6,000,000	0
Law Enforcement Liability	6,000,000	5,000
Automobile Liability	6,000,000	0
Cyber Liability	6,000,000	0
Crime Coverage	6,000,000	1,000

The reduction in property insurance was due to the City eliminating coverage on one of their buildings. This insurance will now be covered by whoever is renting the facility. No insurance settlement has exceeded the City's 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 2018 and 2017 were as follows:

Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2018	\$5,525	\$65,035	\$67,179	\$3,381
2017	8,807	69,872	73,154	5,525

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 14 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2018:

Vendor	Contract Amount	Amount Paid as of 12/31/18	Outstanding Balance
Elite Excavating Company	\$699,726	\$538,524	\$161,202
G E Baker Construction, Inc.	158,520	56,310	102,210
GDP Group	130,490	95,646	34,844
Rising Son Company, LLC	208,436	5,000	203,436

At year end, the significant encumbrances expected to be honored upon performance by the vendor in 2019 are as follows:

General Fund	\$273,477
Other Governmental Funds	447,282

NOTE 15 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability (Asset)/Net OPEB Liability

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing multiple-employer defined benefit/defined contribution pension plan.

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

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

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

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0 %	**	***

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

	State and Local	Public Safety	Law Enforcement
2018 Actual Contribution Rates			
Employer			
Pension ****	14.0 %	18.1 %	18.1 %
Postemployment Health Care Benefits *****	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Total Employee	10.0 %	12.0 %	13.0 %

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

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

For 2018, the City's contractually required contribution was \$442,387 for the traditional plan, \$4,127 for the combined plan, and \$4,320 for the member-directed plan. Of these amounts, \$49,853 is reported as an intergovernmental payable for the traditional plan, \$464 for the combined plan, and \$488 for the member-directed plan.

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Members retiring under normal service retirement, with less than fifteen years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3 percent or the percentage increase in the Consumer Price Index, if any, over the twelve month period ending on September 30 of the immediately preceding year rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
 2018 Actual Contribution Rates		
Employer		
Pension	19.00 %	23.50 %
Postemployment Health Care Benefits	.50	.50
Total Employer	19.50 %	24.00 %
Total Employee	12.25 %	12.25 %

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was \$457,054 for 2018. Of this amount, \$54,918 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the Statewide pension system for police and firefighters in 1967. As of December 31, 2018, this liability was \$94,609 payable in semi-annual payments through 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense.

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>	<u>OPF</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset				
Current Measurement Date	0.02372200%	0.00643200%	0.09480700%	
Prior Measurement Date	0.02385800%	0.00795700%	0.09312600%	
Change in Proportionate Share	<u>0.00013600%</u>	<u>0.00152500%</u>	<u>0.00168100%</u>	
Proportionate Share				
Net Pension Liability	\$3,721,521	\$0	\$5,818,734	\$9,540,255
Net Pension Asset	\$0	\$8,755	\$0	\$8,755
Pension Expense	\$818,789	(\$6,270)	\$664,677	\$1,477,196

Pension expense for the member-directed defined contribution plan was \$4,319 for 2018.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Difference Between Expected and Actual Experience	\$3,800	\$0	\$88,304	\$92,104
Changes of Assumptions	444,746	765	253,553	699,064
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	5,240	740	91,727	97,707
City Contributions Subsequent to the Measurement Date	442,387	4,127	457,054	903,568
Total Deferred Outflows of Resources	<u>\$896,173</u>	<u>\$5,632</u>	<u>\$890,638</u>	<u>\$1,792,443</u>
Deferred Inflows of Resources				
Difference Between Expected and Actual Experience	\$73,340	\$2,609	\$10,526	\$86,475
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	798,962	1,381	201,284	1,001,627
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	17,600	0	204,493	222,093
Total Deferred Inflows of Resources	<u>\$889,902</u>	<u>\$3,990</u>	<u>\$416,303</u>	<u>\$1,310,195</u>

\$903,568 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase in the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Year Ending December 31,				
2019	\$328,207	(\$350)	\$115,371	\$443,228
2020	(84,195)	(389)	62,452	(22,132)
2021	(351,820)	(698)	(146,030)	(498,548)
2022	(328,308)	(666)	(109,278)	(438,252)
2023	0	(180)	75,464	75,284
Thereafter	0	(202)	19,302	19,100
Total	<u>(\$436,116)</u>	<u>(\$2,485)</u>	<u>\$17,281</u>	<u>(\$421,320)</u>

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	<u>OPERS Traditional Plan</u>	<u>OPERS Combined Plan</u>
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	individual entry age	individual entry age

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

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

The long-term rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

During 2017, OPERS managed investments in three investment portfolios; the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the traditional plan, the defined benefit component of the combined plan, and the annuitized accounts of the member-directed plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the board approved asset allocation policy for 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability (Asset)			
OPERS Traditional Plan	\$6,608,475	\$3,721,521	\$1,314,673
OPERS Combined Plan	(\$4,760)	(\$8,755)	(\$11,513)

Changes between the Measurement Date and the Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions - OPF

OPF's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI based COLA, investment returns, salary increases, and payroll growth.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

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

For the January 1, 2017, valuation, mortality for nondisabled participants was based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries were adjusted by 120 percent.

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

For the January 1, 2017, valuation, mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

For the January 1, 2016, valuation, rates of death were based on the RP-2000 Combined Table, age adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building block approach and assumes a time horizon as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equities	16.00	5.21
Non-U.S. Equities	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

Note: assumptions are geometric

* levered 2x

OPF's Board of Trustees has incorporated the risk parity concept into OPF's asset liability valuation with the goal of reducing equity risk exposure which reduces overall total portfolio risk without sacrificing return and creating a more risk balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - For 2017, the total pension liability was calculated using the discount rate of 8 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS (continued)

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City’s Proportionate Share of the Net Pension Liability	\$8,066,291	\$5,818,734	\$3,985,645

NOTE 16 - POSTEMPLOYMENT BENEFITS

See Note 15 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment health care trust which funds multiple health care plans including medical coverage, prescription drug coverage, and deposits to a health reimbursement arrangement to qualifying benefit recipients of both the traditional and combined pension plans. This trust is also used to fund health care for member-directed plan participants in the form of a retiree medical account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined pension plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other postemployment benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75. See OPERS’ CAFR referenced below for additional information.

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by the OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed 14 percent of earnable salary and public safety and law enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. The portion of the employer contribution allocated to health care for members of both the traditional and combined plans was 1 percent for calendar year 2017. As recommended by OPERS' actuary, the portion of the employer contribution allocated to health care beginning January 1, 2018, decreased to 0 percent for both plans.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants of the member-directed plan was 4 percent for 2018.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,728 for 2018. Of this amount, \$195 is reported as an intergovernmental payable.

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

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium reimbursement 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 statutory survivor benefit, 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 GASB Statement No. 75.

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

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

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

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

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 2018, the portion of the employer contribution allocated to health care was .5 percent of covered payroll. The amount of the employer contribution allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded 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 contractually required contribution to OPF was \$10,722 for 2018. Of this amount, \$1,286 is reported as an intergovernmental payable.

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

The net OPEB liability and the total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OPF's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Following is information related to the proportionate share.

	OPERS	OPF	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02261000%	0.09480700%	
Prior Measurement Date	0.02279000%	0.09312600%	
Change in Proportionate Share	<u>0.00018000%</u>	<u>0.00168100%</u>	
Proportionate Share of the Net OPEB Liability	\$2,455,280	\$5,371,632	\$7,826,912
OPEB Expense	\$201,173	\$436,809	\$637,982

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	OPERS	OPF	Total
Deferred Outflows of Resources			
Difference Between Expected and Actual Experience	\$1,913	\$0	\$1,913
Changes of Assumptions	178,770	524,157	702,927
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	0	62,944	62,944
City Contributions Subsequent to the Measurement Date	<u>1,728</u>	<u>10,722</u>	<u>12,450</u>
Total Deferred Outflows of Resources	<u>\$182,411</u>	<u>\$597,823</u>	<u>\$780,234</u>
Deferred Inflows of Resources			
Difference Between Expected and Actual Experience	\$0	\$27,092	\$27,092
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	182,902	35,358	218,260
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	<u>12,300</u>	<u>0</u>	<u>12,300</u>
Total Deferred Inflows of Resources	<u>\$195,202</u>	<u>\$62,450</u>	<u>\$257,652</u>

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

\$12,450 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows.

Year Ending December 31,	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
2019	\$34,780	\$73,033	\$107,813
2020	34,780	73,033	107,813
2021	(38,352)	73,033	34,681
2022	(45,727)	73,033	27,306
2023	0	81,872	81,872
Thereafter	0	150,647	150,647
Total	<u>(\$14,519)</u>	<u>\$524,651</u>	<u>\$510,132</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74.

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current Measurement Date	3.85 percent
Prior Measurement Date	4.23 percent
Investment Rate of Return	6.5 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent initial 3.25 percent ultimate in 2028
Actuarial Cost Method	individual entry age

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

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

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

The long-term expected rate of return on health care investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes assets for health care expenses for the traditional plan, the combined plan, and the member-directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made and health care related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the board approved asset allocation policy for 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other Investments	17.00	5.39
Total	100.00 %	

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Discount Rate - A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of twenty year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the expected rate of return on the health care investment portfolio of 6.5 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through 2034 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate.

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's Proportionate Share of the Net OPEB Liability	\$3,261,945	\$2,455,280	\$1,802,695

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

Retiree health care valuations use a health care cost trend assumption that changes over several years built into the assumption. The near term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.5 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not too distant future, the health plan cost trend will decrease to a level at or near wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate assumed to be 3.25 percent in the most recent valuation.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$2,349,179	\$2,455,280	\$2,564,878

Changes between the Measurement Date and the Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions - OPF

OPF's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled forward using generally accepted actuarial procedures. The total OPEB liability is determined by OPF's actuaries in accordance with GASB Statement No. 74 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements, and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications as actual results are compared with past expectations and new estimates are made about the future.

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	entry age normal
Investment Rate of Return	8 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent
Single Discount Rate:	
Current Measurement Date	3.24 percent
Prior Measurement Date	3.79 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent

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

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

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

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

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The OPF health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 15.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, the plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017, and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond Twenty Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to all projected costs through 2025 and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent) or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net OPEB Liability	\$6,714,605	\$5,371,632	\$4,338,264

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per capita costs are assumed to change by the following percentages each year.

Year	Non-Medicare	Non-AARP	AARP	RX Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current health care cost trend rates as outlined in the table above, a one percent decrease in the trend rates, and a one percent increase in the trend rates.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 16 - POSTEMPLOYMENT BENEFITS (continued)

	1% Decrease	Current Rates	1% Increase
City's Proportionate Share of the Net OPEB Liability	\$4,172,780	\$5,371,632	\$6,987,278

Changes between the Measurement Date and the Report Date

In March 2018, the OPF Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend based health care model. A stipend funded by OPF will be placed in individual health reimbursement accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

NOTE 17 - OTHER EMPLOYEE BENEFITS

A. Health Care Benefits

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

B. Compensated Absences

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

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 18 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2018, were as follows:

	Interest Rate	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
<u>Governmental Activities</u>					
<u>General Obligation Bond</u>					
<u>Anticipation Notes</u>					
General Fund					
Fire Truck	1.90%	\$70,000	\$0	\$70,000	\$0
Fire Truck	3.10	0	485,000	0	485,000
EMS Vehicle	1.90	48,000	0	48,000	0
EMS Vehicle	3.10	0	192,000	0	192,000
Special Revenue Fund					
Street Truck	1.90	13,000	0	13,000	0
Street Truck	3.10	0	26,000	0	26,000
Portland Way North	1.90	9,810	0	9,810	0
Portland Way North	3.10	0	9,810	0	9,810
Brandt Road	3.10	0	59,300	0	59,300
Total Governmental Activities		<u>\$140,810</u>	<u>\$772,110</u>	<u>\$140,810</u>	<u>\$772,110</u>
	Interest Rate	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
<u>Business-Type Activities</u>					
<u>General Obligation Bond</u>					
<u>Anticipation Notes</u>					
Enterprise Fund					
Screw Pump	1.90%	\$522,000	\$0	\$522,000	\$0
Screw Pump	3.10	0	464,000	0	464,000
Portland Way North	1.90	94,000	0	94,000	0
Portland Way North	3.10	0	89,300	0	89,300
State Route 61 Lift Station	1.90	300,000	0	300,000	0
State Route 61 Lift Station	3.10	0	285,000	0	285,000
Electric Distribution System	1.90	1,575,000	0	1,575,000	0
Electric Distribution System	3.10	0	834,000	0	834,000
Utility Truck	1.90	23,400	0	23,400	0
Utility Truck	3.10	0	15,600	0	15,600
Brandt Road	3.10	0	148,000	0	148,000
Total Business-Type Activities		<u>\$2,514,440</u>	<u>\$1,835,900</u>	<u>\$2,514,400</u>	<u>\$1,835,900</u>

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

The bond anticipation notes in the General Fund, in the amount of \$677,000, were issued on July 25, 2018; to retire notes previously issued to acquire a fire truck and an EMS vehicle. The notes mature on July 25, 2019.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 18 - NOTES PAYABLE (continued)

The bond anticipation notes in the Street Maintenance Fund, in the amount of \$85,300, were issued on July 25, 2018; \$26,000 to retire notes previously issued to acquire two trucks and \$59,300 for the Brandt Road improvements. The notes mature on July 25, 2019.

The bond anticipation notes in the State Highway special revenue fund, in the amount of \$9,810, were issued on July 25, 2018, to retire notes previously issued for the Portland Way North reconstruction. The notes will mature on July 25, 2019.

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$838,300, were issued on July 25, 2018; \$464,000 to retire notes previously issued to purchase a screw pump, \$89,300 for the Portland Way North Reconstruction, and \$285,000 for the State Route 61 lift station. The notes mature on July 25, 2019. As of December 31, 2018, \$240,237 of the proceeds had not been spent. Of the \$838,300, \$464,000 was not capitalized.

The bond anticipation notes in the Electric enterprise fund, in the amount of \$834,000, were issued on July 25, 2018, to retire notes previously issued to upgrade the electric distribution system. The notes mature on July 25, 2019.

The bond anticipation notes in the Storm Water enterprise fund, in the amount of \$163,600, were issued on July 25, 2018; \$15,600 to retire notes previously issued to acquire a utility truck and \$148,000 for the Brandt Road improvements. The notes mature on July 25, 2019.

NOTE 19 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2018, was as follows:

	Interest Rate	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bond						
Anticipation Notes						
Fire Truck	1.90%	\$485,000	\$0	\$485,000	\$0	\$0
Street Truck	1.90	26,000	0	26,000	0	0
EMS Vehicle	1.90	192,000	0	192,000	0	0
Portland Way North	1.90	186,390	0	186,390	0	0
Portland Way North	3.10	0	176,580	0	176,580	176,580
Brandt Road	3.10	0	533,700	0	533,700	533,700
Total General Obligation Bond						
Anticipation Notes		889,390	710,280	889,390	710,280	710,280
Net Pension Liability						
Ohio Public Employees						
Retirement System		2,437,988	0	874,948	1,563,040	0
Ohio Police and Fire Pension		5,898,508	0	79,774	5,818,734	0
Total Net Pension Liability		8,336,496	0	954,722	7,381,774	0

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
<u>Governmental Activities</u> (continued)						
Net OPEB Liability						
Ohio Public Employees						
Retirement System		\$1,035,841	\$0	\$4,623	\$1,031,218	\$0
Ohio Police and Fire Pension		4,420,482	951,150	0	5,371,632	0
Total Net OPEB Liability		<u>5,456,323</u>	<u>951,150</u>	<u>4,623</u>	<u>6,402,850</u>	<u>0</u>
OPWC Loans						
#CP02L	0.00	26,173	0	13,087	13,086	13,086
Portland Way South	0.00	318,191	0	16,318	301,873	16,317
Police Liability	5.00	20,564	0	815	19,749	851
Fire Liability	5.00	77,950	0	3,090	74,860	3,223
Capital Loan Payable (Fire Truck)	2.99	190,406	0	35,878	154,528	36,951
Compensated Absences Payable		678,641	44,963	1,433	722,171	160,599
Total Governmental Activities		<u>\$15,994,134</u>	<u>\$1,706,393</u>	<u>\$1,919,356</u>	<u>\$15,781,171</u>	<u>\$941,307</u>
<u>Business-Type Activities</u>						
General Obligation Bonds						
2007 Electric Improvement						
(Original Amount \$8,952,000)	5.25%	\$3,951,000	\$0	\$671,000	\$3,280,000	\$708,000
2011 Electric Improvement						
(Original Amount \$2,500,000)	2.15	1,000,000	0	250,000	750,000	250,000
Total General Obligation Bonds		<u>4,951,000</u>	<u>0</u>	<u>921,000</u>	<u>4,030,000</u>	<u>958,000</u>
Net Pension Liability						
Ohio Public Employees						
Retirement System		2,979,757	0	821,276	2,158,481	0
Net OPEB Liability						
Ohio Public Employees						
Retirement System		1,266,026	158,036	0	1,424,062	0
OPWC Loans						
Railroad Street Waterline						
(Original Amount \$71,104)	0.00	16,000	0	3,555	12,445	3,555
West End Waterline						
(Original Amount \$140,000)	0.00	49,000	0	7,000	42,000	7,000
North Market Storm Sewer						
(Original Amount \$94,092)	0.00	28,229	0	18,818	9,411	9,411
Southeast Storm Sewer						
(Original Amount \$693,209)	0.00	658,549	0	23,107	635,442	23,107
Southeast Storm Sewer - Phase II						
(Original Amount \$33,863)	0.00	0	33,863	0	33,863	0
Total OPWC Loans		<u>751,778</u>	<u>33,863</u>	<u>52,480</u>	<u>733,161</u>	<u>43,073</u>

(continued)

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
<u>Business-Type Activities</u> (continued)						
OWDA Loans						
#2735 Raw Water Line (Original Amount \$480,881)	2.00%	\$93,787	\$0	\$22,755	\$71,032	\$23,210
#3508 Water Treatment (Original Amount \$3,924,637)	2.00	2,188,277	0	131,491	2,056,786	134,135
#4088 Cheshire Subdivision (Original Amount \$983,863)	3.98	434,956	0	55,037	379,919	57,248
#4089 Sewer System Improvement (Original Amount \$1,600,253)	3.98	1,264,033	0	49,200	1,214,833	51,178
#4090 Cheshire (Original Amount \$1,232,112)	3.98	902,721	0	35,136	867,585	36,549
#4091 Water System Improvement (Original Amount \$2,218,464)	3.98	1,625,388	0	63,265	1,562,123	65,808
#4732 WWTP Bio-Solids (Original Amount \$2,762,322)	3.20	1,825,824	0	124,676	1,701,148	129,104
#4873 Water Tank Rehabilitation (Original Amount \$679,864)	4.61	448,190	0	32,107	416,083	33,604
#6273 WWTP Influent Upgrade (Original Amount \$655,098)	2.57	521,236	0	28,885	492,351	29,632
Total OWDA Loans		<u>9,304,412</u>	<u>0</u>	<u>542,552</u>	<u>8,761,860</u>	<u>560,468</u>
AMP Ohio Payable - JV 2		10,325	0	10,325	0	0
AMP Ohio Payable		604,699	0	41,674	563,025	57,798
Compensated Absences Payable		551,765	25,631	20,141	557,255	195,160
Total Business-Type Activities		<u>\$20,419,762</u>	<u>\$217,530</u>	<u>\$2,409,448</u>	<u>\$18,227,844</u>	<u>\$1,814,499</u>

General Obligation Bond Anticipation Notes

On July 25, 2018, the City issued \$710,280 in bond anticipation notes; \$176,580 to retire notes previously issued for the Portland Way North reconstruction and \$533,700 for the Brandt Road improvements. The notes mature on July 25, 2019.

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, 2018, all of the proceeds have been spent.

2011 Electric Improvement General Obligation Bonds

On October 27, 2011, the City issued \$2,500,000 in unvoted general obligation bonds to improve the City's electric distribution system. The bonds are being retired from the Electric enterprise fund. The bonds will mature on December 1, 2021. As of December 31, 2018, all of the proceeds have been spent.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

Net Pension/OPEB Liability

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

OPWC Loans

OPWC loans are general obligations of the City and consist of monies owed to the Ohio Public Works Commission for street improvements and for replacement of water lines and sewer lines. The loans are interest free. The loans will be repaid from the Street Maintenance 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 is \$11,023,743. Principal and interest paid in the Water and Sewer enterprise funds for the current year were \$406,514 and \$360,131, respectively. The Water and the Sewer enterprise funds had a net loss.

Police and Fire Liability

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

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

Compensated Absences Payable

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance, 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 agreed to pay the debt service requirements on the bonds. This liability was fully retired in 2018.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

AMP Ohio Payable

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

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

The City's estimated share of the impaired costs at March 31, 2014, was \$1,148,904. The City received a credit of \$361,799 related to the AMPGS costs deemed to have future benefit for the project participants. Additional costs have been incurred for interest and legal fees of \$37,891 and payments were made of \$261,971 leaving a net impaired cost estimate of \$563,025. 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 \$10,485,031 at December 31, 2018.

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

	Governmental Activities				
	OPWC	Police and Fire Pension		Capital Loan	
	Loans	Principal	Interest	Principal	Interest
2019	\$29,403	\$4,074	\$3,977	\$36,951	\$4,622
2020	16,318	4,248	3,803	38,056	3,517
2021	16,317	4,430	3,621	39,194	2,379
2022	16,318	4,620	3,431	40,327	1,246
2023	16,317	4,820	3,231	0	0
2024-2028	81,588	27,385	12,870	0	0
2029-2033	81,587	33,795	6,460	0	0
2034-2037	57,111	11,237	472	0	0
	\$314,959	\$94,609	\$37,865	\$154,528	\$11,764

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 19 - LONG-TERM OBLIGATIONS (continued)

The OPWC loan for the Southeast Storm Sewer - Phase II project has not been completed. The amortization schedule for the repayment of this loan will not be available until the project is completed and, therefore, is 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
2019	\$958,000	\$173,201	\$43,073
2020	995,000	129,920	33,662
2021	1,036,000	84,632	33,662
2022	827,000	38,548	31,887
2023	214,000	2,809	30,107
2024-2028	0	0	122,535
2029-2033	0	0	115,535
2034-2038	0	0	115,535
2039-2043	0	0	115,535
2044-2046	0	0	57,767
	\$4,030,000	\$429,110	\$699,298

Year	OWDA Loans		AMP Ohio Payable
	Principal	Interest	Principal
2019	\$560,468	\$278,839	\$57,798
2020	579,018	261,173	57,798
2021	598,231	242,877	57,798
2022	593,495	223,938	57,798
2023	613,608	204,815	57,798
2024-2028	3,088,095	733,008	274,035
2029-2033	2,163,219	288,804	0
2034-2035	565,726	28,429	0
	\$8,761,860	\$2,261,883	\$563,025

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 20 - FUND BALANCE

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

Fund Balance	General	Police and Fire Levy	Other Governmental Funds
Nonspendable for:			
Materials and Supplies Inventory	\$0	\$0	\$121,575
Prepaid Items	76,642	45,985	15,452
Unclaimed Monies	20,345	0	0
Total Nonspendable	<u>96,987</u>	<u>45,985</u>	<u>137,027</u>
Restricted for:			
Airport Improvements	0	0	29,079
Drug Enforcement	0	0	37,254
Economic Development and Rehabilitation	0	0	1,110,913
Park Improvements	0	0	355,760
Park Operations	0	0	113,480
Police and Fire Operations	0	265,511	15,546
Street Construction and Maintenance	0	0	186,007
Visitor's Bureau	0	0	37,169
Total Restricted	<u>0</u>	<u>265,511</u>	<u>1,885,208</u>
Assigned for:			
Projected Budget Shortage	870,475	0	0
Unpaid Obligations	261,092	0	0
Total Assigned	<u>1,131,567</u>	<u>0</u>	<u>0</u>
Unassigned (Deficit)	<u>4,980,336</u>	<u>0</u>	<u>(404,055)</u>
Total Fund Balance	<u>\$6,208,890</u>	<u>\$311,496</u>	<u>\$1,618,180</u>

NOTE 21 - INTERFUND TRANSFERS

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 21 - INTERFUND TRANSFERS (continued)

Eliminations made in the total column of the government-wide statement of net position for pension include deferred outflows of resources for the governmental activities and deferred inflows of resources for the business-type activities, in the amount of \$40,810. Eliminations made in the total column of the government-wide statement of net position include deferred inflows of resources for the governmental activities and deferred outflows of resources for the business-type activities, in the amount of \$66,691.

Eliminations made in the total column of the government-wide statement of net position for OPEB include deferred outflows of resources for the governmental activities and deferred inflows of resources for the business-type activities, in the amount of \$39,585.

Eliminations made in the business-type activities column related to pension include deferred outflows of resources and deferred inflows of resources, in the amount of \$31,467.

Balances related to the internal proportionate share for pension at December 31, 2018, were as follows.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Business-Type Activities		
Water Fund	\$0	\$14,741
Sewer Fund	29,028	8
Electric Fund	2,421	1,237
Storm Water Fund	18	15,481
Total Business-Type Activities	<u>\$31,467</u>	<u>\$31,467</u>

Eliminations made in the business-type activities column related to OPEB include a deferred outflows of resources and deferred inflows of resources, in the amount of \$19,387.

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Business-Type Activities		
Water Fund	\$9,471	\$0
Sewer Fund	0	17,296
Electric Fund	0	2,091
Storm Water Fund	9,916	0
Total Business-Type Activities	<u>\$19,387</u>	<u>\$19,387</u>

During 2018, the General Fund made transfers to the other governmental funds, in the amount of \$713,119, to subsidize various programs in other funds.

Other governmental funds made transfers to the Water and Sewer enterprise funds, in the amount of \$27,286 and \$44,520, respectively, to move special assessment revenue related to Water and Sewer funds.

The Water enterprise fund made transfers to other governmental funds, in the amount of \$10,961, to move receipts as debt payments came due.

The Sewer enterprise fund made transfers to other governmental funds and the Storm Water enterprise fund, in the amounts of \$30,149 and \$3,260, respectively, to move receipts as debt payments came due and for capital assets.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 22 - EGBERT M. FREESE FOUNDATION

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

The Foundation's resources are invested in various securities as determined by the Board of Trustees. As of December 31, 2018, the Foundation's investments consisted of the following:

	Fair Value
Equities	\$5,473,800
Fixed Income	2,657,329
Real Assets	176,886
Alternative Income	781,083
Cash Equivalents	577,283
	<u>\$9,666,381</u>

NOTE 23 - PUBLIC ENTITY SHARED RISK POOL

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

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 24 - 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. 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 had no investment at December 31, 2018, due to discontinuation and disposition of JV1. Complete financial statements for JV1 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

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, 2018, the City met its debt coverage obligation.

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 24 - JOINT VENTURES (continued)

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. 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 \$284,645 at December 31, 2018. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.ohioauditor.gov.

NOTE 25 - 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, 409 Kroft Street, Galion, Ohio 44833.

NOTE 26 - RELATED ORGANIZATION

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

NOTE 27 - CONTINGENT LIABILITIES

A. Litigation

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

City of Galion
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

NOTE 27 - CONTINGENT LIABILITIES (continued)

B. Federal and State Grants

For the period January 1, 2018, to December 31, 2018, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 28 - SUBSEQUENT EVENT

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City's health department was reorganized as a legally separate organization rather than continuing to operate as a department of the City. This change was effective January 2019 and will be reported as a transfer of operations in 2019. Among its duties, the Board of Health provides for the prompt diagnosis and control of communicable diseases. The Board also inspects business where food is manufactured, handled, stored, or offered for sale. The Board will be operated by a six member board with all members being appointed by the City. The rates charged by the Board are subject to the approval of City Council, in addition, the City provides funding to the Board, thus the City can impose will on the Board and the Board imposes a financial burden to the City. Therefore, beginning in 2019, the Board will be reported as a discretely presented component unit of the City.

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.02372200%	0.02385800%	0.02393400%	0.02308100%	0.02308100%
City's Proportionate Share of the Net Pension Liability	\$3,721,521	\$5,417,745	\$4,145,670	\$2,783,827	\$2,720,949
City's Covered Payroll	\$3,159,907	\$3,082,733	\$2,983,957	\$2,829,850	\$2,549,462
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	117.77%	175.74%	138.93%	98.37%	106.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See Notes to the Required Supplementary Information

City of Galion
 Required Supplementary Information
 Schedule of the City's Proportionate Share of the Net Pension Asset
 Ohio Public Employees Retirement System - Combined
 2018 (1)

	2018
City's Proportion of the Net Pension Asset	0.00643200%
City's Proportionate Share of the Net Pension Asset	\$8,755
City's Covered Payroll	\$29,479
City's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	29.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

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

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

See Notes to the Required Supplementary Information

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.09480700%	0.09312600%	0.09875600%	0.09833180%	0.09833180%
City's Proportionate Share of the Net Pension Liability	\$5,818,734	\$5,898,508	\$6,353,043	\$5,093,998	\$4,789,067
City's Covered Payroll	\$2,062,044	\$1,998,757	\$1,980,560	\$1,925,161	\$1,819,529
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	282.18%	295.11%	320.77%	264.60%	263.20%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

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

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

See Notes to the Required Supplementary Information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.02261000%	0.02279000%
City's Proportionate Share of the Net OPEB Liability	\$2,455,280	\$2,301,867
City's Covered Payroll	\$3,202,000	\$3,147,758
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	76.68%	73.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

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

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

See Notes to the Required Supplementary Information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.09480700%	0.09312600%
City's Proportionate Share of the Net OPEB Liability	\$5,371,632	\$4,420,482
City's Covered Payroll	\$2,062,044	\$1,998,757
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	260.50%	221.16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

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

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

See Notes to the Required Supplementary Information

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

	2018	2017	2016	2015
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$442,387	\$407,544	\$369,928	\$358,075
Contributions in Relation to the Contractually Required Contribution	<u>(442,387)</u>	<u>(407,544)</u>	<u>(369,928)</u>	<u>(358,075)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$3,159,907	\$3,134,954	\$3,082,733	\$2,983,958
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>
Net Pension Asset - Combined Plan				
Contractually Required Contribution	\$4,127	\$3,425	\$3,717	\$4,496
Contributions in Relation to the Contractually Required Contribution	<u>(4,127)</u>	<u>(3,425)</u>	<u>(3,717)</u>	<u>(4,496)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$29,479	\$26,346	\$30,975	\$37,467
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$1,728	\$33,241	\$63,636	
Contributions in Relation to the Contractually Required Contribution	<u>(1,728)</u>	<u>(33,241)</u>	<u>(63,636)</u>	
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
City Covered Payroll (3)	\$3,232,586	\$3,202,000	\$3,147,758	
OPEB Contributions as a Percentage of Covered Payroll	<u>0.04%</u>	<u>1.02%</u>	<u>2.04%</u>	

(1) Information prior to 2013 is not available.

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

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

See Notes to the Required Supplementary Information

<u>2014</u>	<u>2013</u>
\$339,582	\$331,430
<u>(339,582)</u>	<u>(331,430)</u>
<u>\$0</u>	<u>\$0</u>
\$2,829,850	\$2,549,462
<u>12.00%</u>	<u>13.00%</u>

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

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	\$457,054	\$440,179	\$425,129	\$423,223
Contributions in Relation to the Contractually Required Contribution	<u>(457,054)</u>	<u>(440,179)</u>	<u>(425,129)</u>	<u>(423,223)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,144,400	\$2,062,044	\$1,998,757	\$1,980,559
Contributions as a Percentage of Covered Payroll	21.31%	21.35%	21.27%	21.37%
Net OPEB Liability				
Contractually Required Contribution	\$10,722	\$10,310	\$9,994	\$9,903
Contributions in Relation to the Contractually Required Contribution	<u>(10,722)</u>	<u>(10,310)</u>	<u>(9,994)</u>	<u>(9,903)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$457,054	\$440,179	\$425,129	\$423,223
Contributions as a Percentage of Covered Payroll	2.35%	2.34%	2.35%	2.34%

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

See Notes to the Required Supplementary Information

2014	2013	2012	2011	2010	2009
\$411,512	\$332,016	\$246,879	\$259,288	\$241,626	\$235,803
<u>(411,512)</u>	<u>(332,016)</u>	<u>(246,879)</u>	<u>(259,288)</u>	<u>(241,626)</u>	<u>(235,803)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,925,160	\$1,819,530	\$1,628,314	\$1,705,197	\$1,598,142	\$1,561,527
21.38%	18.25%	15.16%	15.21%	15.12%	15.10%
\$9,626	\$65,807	\$109,911	\$113,076	\$107,874	\$105,403
<u>(9,626)</u>	<u>(65,807)</u>	<u>(109,911)</u>	<u>(113,076)</u>	<u>(107,874)</u>	<u>(105,403)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$411,512	\$332,016	\$246,879	\$259,288	\$241,626	\$235,803
2.34%	19.82%	44.52%	43.61%	44.65%	44.70%

City of Galion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions - OPERS Pension

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below.

	2017	2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, Healthy Annuitant Mortality Tables were used adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality Tables were used adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

City of Galion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions - OPF Pension

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

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

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

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

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

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

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

City of Galion
Notes to the Required Supplementary Information
For the Year Ended December 31, 2018

Changes in Assumptions - OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions - OPF OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.



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

June 28, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2019, wherein we noted the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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.

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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*.

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

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	GAAP Reporting - Over reported depreciation expense	Corrected	N/A

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OHIO AUDITOR OF STATE
KEITH FABER



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
SEPTEMBER 5, 2019**