



Dave Yost • Auditor of State

**CITY OF GALION
CRAWFORD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Auditor of State served during the year ended December 31, 2010, as the City's financial supervisor under Ohio Revised Code §118.05(G). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the City because the Auditor of State may assume broad management powers, duties, and function under Ohio Revised Code §118.04. However, *Government Auditing Standards* permit the Auditor of State to audit and opine on this entity because Ohio Revised Code §118.05(G) requires the Auditor of State to provide these supervisory services, and Ohio Revised Code §117.11(A) mandates the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 24, on August 9, 2004, the City of Galion was placed in fiscal emergency by the State of Ohio pursuant to Ohio Revised Code Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B). A fiscal emergency commission was appointed to oversee the financial affairs of the City and, as required by Ohio Revised Code §118.05(G), the Auditor of State served as the City's financial supervisor.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Galion, Crawford County, Ohio, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Police and Fire Levy Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

October 20, 2011

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
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, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2010 are as follows:

In total, the City's net assets increased 8 percent from the prior year; over 5 percent for governmental activities and over 10 percent for business-type activities.

General revenues made up 68 percent of the total revenues for governmental activities in 2010, of which 46 percent was provided through municipal income taxes, the most critical of the City's revenue sources.

Although the City has entered into its seventh year since being declared in fiscal emergency, the City has made significant progress to date. However, resolution of the deficit in the Street Maintenance Fund continues to present a significant challenge to the City.

USING THIS ANNUAL REPORT

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

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

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

REPORTING THE CITY AS A WHOLE

The statement of net assets and the statement of activities reflect how the City did financially during 2010. 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 assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, bridges, and water, sewer, electric, and storm water lines). These factors must be considered when assessing the overall health of the City.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net assets for 2010 and 2009.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Assets</u>						
Current and Other Assets	\$8,774,991	\$7,834,968	\$19,695,020	\$17,882,151	\$28,470,011	\$25,717,119
Capital Assets, Net	16,176,495	16,650,940	27,176,456	27,070,226	43,352,951	43,721,166
Total Assets	<u>24,951,486</u>	<u>24,485,908</u>	<u>46,871,476</u>	<u>44,952,377</u>	<u>71,822,962</u>	<u>69,438,285</u>
<u>Liabilities</u>						
Current and Other Liabilities	1,826,501	1,910,669	2,424,514	1,821,142	4,251,015	3,731,811
Long-Term Liabilities	2,296,859	2,848,510	22,460,712	23,242,311	24,757,571	26,090,821
Total Liabilities	<u>4,123,360</u>	<u>4,759,179</u>	<u>24,885,226</u>	<u>25,063,453</u>	<u>29,008,586</u>	<u>29,822,632</u>
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	14,101,913	14,176,261	9,605,501	9,038,722	23,707,414	23,214,983
Restricted	2,404,053	2,233,092	0	0	2,404,053	2,233,092
Unrestricted	4,322,160	3,317,376	12,380,749	10,850,202	16,702,909	14,167,578
Total Net Assets	<u>\$20,828,126</u>	<u>\$19,726,729</u>	<u>\$21,986,250</u>	<u>\$19,888,924</u>	<u>\$42,814,376</u>	<u>\$39,615,653</u>

With an increase in net assets of approximately 5 percent for governmental activities, there were few changes of note for 2010. The increase in current and other assets is primarily due to an increase in cash and cash equivalents. Since being placed in fiscal emergency by the State, the City has continued a policy of limited spending. Revenues were in excess of expenses for 2010 providing for the increase in cash on hand at year end. This increase is also reflected in the increase in unrestricted net assets.

Business-type activities realized an increase in current and other assets, also primarily reflected in an increase in cash and cash equivalents. The City has been on a schedule of annual rate increases for both its water and sewer services in anticipation of projected future deficits should annual increases be ignored. As a result, revenues were in excess of expenses for 2010 providing the additional cash on hand at year end. This increase is also reflected in the increase in unrestricted net assets.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Table 2 reflects the change in net assets for 2010 and 2009.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<u>Revenues</u>						
<u>Program Revenues</u>						
Charges for Services	\$1,390,141	\$1,493,411	\$16,392,045	\$15,469,923	\$17,782,186	\$16,963,334
Operating Grants, Contributions, and Interest	686,067	686,842	0	0	686,067	686,842
Capital Grants and Contributions	710,127	2,084,961	335,209	709,343	1,045,336	2,794,304
Total Program Revenues	2,786,335	4,265,214	16,727,254	16,179,266	19,513,589	20,444,480
<u>General Revenues</u>						
Property Taxes Levied for General Purposes	372,350	385,539	0	0	372,350	385,539
Property Taxes Levied for Police and Fire Pension	67,953	70,550	0	0	67,953	70,550
Property Taxes Levied for Bond Retirement	13,925	0	0	0	13,925	0
Municipal Income Taxes Levied for General Purposes	2,024,600	1,931,818	0	0	2,024,600	1,931,818
Municipal Income Taxes Levied for Police and Fire	1,799,950	1,718,664	0	0	1,799,950	1,718,664
Municipal Income Taxes Levied for Recreation	221,520	213,155	0	0	221,520	213,155
Other Local Taxes	460,074	435,658	0	0	460,074	435,658
Grants and Entitlements not Restricted to Specific Programs	507,935	491,830	0	0	507,935	491,830
Franchise Fees	119,933	114,221	0	0	119,933	114,221
Interest	24,420	14,174	9,406	3,914	33,826	18,088
Other	422,183	386,861	180,284	124,466	602,467	511,327
Total General Revenues	6,034,843	5,762,470	189,690	128,380	6,224,533	5,890,850
Total Revenues	8,821,178	10,027,684	16,916,944	16,307,646	25,738,122	26,335,330
<u>Program Expenses</u>						
<u>Security of Persons and Property</u>						
Police	1,860,566	1,766,061	0	0	1,860,566	1,766,061
Fire	1,776,486	1,882,132	0	0	1,776,486	1,882,132
Public Health	444,739	439,527	0	0	444,739	439,527
Leisure Time Activities	274,250	238,942	0	0	274,250	238,942
Community Environment	150,173	189,623	0	0	150,173	189,623
Transportation	1,828,103	1,802,184	0	0	1,828,103	1,802,184
General Government	1,244,650	1,337,850	0	0	1,244,650	1,337,850
Interest and Fiscal Charges	149,736	191,169	0	0	149,736	191,169
Water	0	0	1,706,595	1,743,565	1,706,595	1,743,565
Sewer	0	0	1,847,216	1,559,959	1,847,216	1,559,959
Electric	0	0	10,846,860	10,878,722	10,846,860	10,878,722
Storm Water	0	0	410,025	369,572	410,025	369,572
Total Expenses	7,728,703	7,847,488	14,810,696	14,551,818	22,539,399	22,399,306

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

Table 2
Change in Net Assets
(continued)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Increase in Net Assets Before Transfers	\$1,092,475	\$2,180,196	\$2,106,248	\$1,755,828	\$3,198,723	\$3,936,024
Transfers	8,922	4,541	(8,922)	(4,541)	0	0
Increase in Net Assets	1,101,397	2,184,737	2,097,326	1,751,287	3,198,723	3,936,024
Net Assets Beginning of Year	19,726,729	17,541,992	19,888,924	18,137,637	39,615,653	35,679,629
Net Assets End of Year	<u>\$20,828,126</u>	<u>\$19,726,729</u>	<u>\$21,986,250</u>	<u>\$19,888,924</u>	<u>\$42,814,376</u>	<u>\$39,615,653</u>

The above table reflects the revenues and expenses for operating the City for the past two years. For governmental activities, there was a sizable decrease in program revenues as the City received state and federal resources in the prior year for the Urban Paving project. General revenues remained fairly similar to the prior year.

Governmental activities expenses also remained very similar to the prior year with an increase a decrease of less than 2 percent. Note that police and fire operations account for 47 percent of the City's total expenses and the street department operations account for another 24 percent of total expenses. These three departments, along with the basic costs of city operations (administration, receipt collections, paying bills, etc.), account for 87 percent of all of the City's governmental expenses.

As is to be expected, 97 percent of the revenues for business-type activities are received through charges for services provided to the users of the systems. By far, the electric distribution system is the City's largest enterprise as demonstrated by the costs to operate the system. As is the intent of enterprise operations, the costs of the City's four utilities were recovered through user charges in 2010.

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	
	2010	2009	2010	2009
Security of Persons and Property				
Police	\$1,860,566	\$1,766,061	\$1,796,262	\$1,677,149
Fire	1,776,486	1,882,132	1,352,394	1,337,371
Public Health	444,739	439,527	221,231	215,587
Leisure Time Activities	274,250	238,942	265,361	219,083
Community Environment	150,173	189,623	(88,391)	(61,103)
Transportation	1,828,103	1,802,184	483,910	(881,714)
General Government	1,244,650	1,337,850	761,865	884,732
Interest and Fiscal Charges	149,736	191,169	149,736	191,169
Total Expenses	<u>\$7,728,703</u>	<u>\$7,847,488</u>	<u>\$4,942,368</u>	<u>\$3,582,274</u>

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

While the dependence on general revenues to pay for the various services provided by the City is significant, program revenues in several of the programs provide for a considerable portion of the costs. For example, charges for services provide for 24 percent of the costs of providing fire services. These charges are for ambulance services as well as the amount charged to Polk Township for fire/ambulance services. Charges for services and operating grants provide for 50 percent of public health costs. Operating and capital grants provided revenues in excess of program costs again in 2010 for the community environment program, generally in the form of community development block grants and revolving loan monies for various community rehabilitation projects. Charges for services and various grants and contributions provided for 74 percent of the costs of the transportation program. The transportation program receives permissive motor vehicle license fees as well as motor vehicle and gas taxes. Program revenues also provided for 39 percent of the costs of the general government program. A large portion of this amount is the result of charges to the utility systems for general government services provided to them.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and the Police and Fire Levy special revenue fund. The General Fund experienced a 15.5 percent increase in fund balance in 2010. Both revenues and expenditures changed little from the prior year; however, revenues were in excess of expenditures providing for the increase.

The Police and Fire Levy Fund had a decrease in fund balance and ended the year with a deficit. Expenditures for police and fire activities paid from the fund were in excess of the revenues collected. The General Fund has to annually subsidize the activities of this fund.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water, Sewer, Electric, and Storm Water funds. As can be seen on the statement of revenues, expenses, and changes in fund net assets, all four funds experienced an operating income in 2010.

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

BUDGETARY HIGHLIGHTS

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

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

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 and changes from the final budget to actual revenues were less than 3 percent. For expenditures, changes from the original budget to the final budget were not significant. There was a 25 percent decrease from the final budget to actual expenditures due to restricting spending as much as possible in the City's efforts towards financial recovery. Also, note that the City did not budget for principal and interest payments on the local government fund notes. In accordance with section 118.17 of the Ohio Revised Code, the City is restricted from budgeting for these expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for governmental and business-type activities as of December 31, 2010, was \$16,176,495 and \$27,176,456, respectively (net of accumulated depreciation). The additions for governmental activities included construction on various park, street, and airport improvements, installation of a new HVAC system in the City Annex Building, equipment for the street, park, and airport departments, and a snow plow truck. The primary additions for business-type activities consisted of continued construction at the wastewater treatment plant, storm water lines for Maple Heights Phase 2, and of the Primrose Street substation and distribution system, a generator, a sewer pump, and a John Deere Gator. For further information regarding the City's capital assets, refer to Note 9 to the basic financial statements.

Debt - At December 31, 2010, the City had \$353,000 in revenue anticipation notes and \$522,800 in bond anticipation notes payable from governmental activities. There was \$784,000 in bond anticipation notes payable from business-type activities. The City also had a number of long-term obligations outstanding including \$9,222,000 in general obligation bonds, \$350,842 in Ohio Public Works Commission loans, and \$12,162,259 in Ohio Water Development Authority loans. Of this debt, \$20,183,319 will be paid from business-type activities.

In addition, the City's long-term obligations also include the liability for police and fire incurred when the State of Ohio established the statewide pension system, compensated absences, capital leases, and a long-term obligation with AMP-Ohio. For further information regarding the City's debt, refer to Notes 16, 17, and 18 to the basic financial statements.

CURRENT ISSUES

As of December 31, 2010, the City has been in fiscal emergency for just under six and one-half years, so the City's primary concern continues to be reestablishing positive fund balances and financial stability.

The City's Electric Fund has stabilized to the point that the "rate stabilization adder" (RSA), which was put in place when the City was placed in fiscal emergency, was lowered from 8 percent to 4 percent. This was adopted by the City Council and is reflected on the 2011 utility bills.

The City entered into a power sales contract with American Municipal Power, Inc. (AMP) for the purchase by AMP of a two unit combined cycle natural gas-fired electric generating plant under construction in Sandusky County, Ohio. This will provide additional generating power for the City's electric system.

Projects the City was able to complete in 2010 include the installation of a new HVAC at the City Annex, construction of an Airport taxiway, the purchase of snow removal equipment for the Airport, completion of the East Park Fitness Trail, completion of the bio-solids upgrade at the wastewater treatment plant, and several street improvement projects. Work continued on the influent upgrade at the wastewater treatment plant.

**CITY OF GALION
CRAWFORD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The City began negotiations with three of its unions during 2010. Due to improvements in the City's financial status, the City was able to provide for salary increases. The AFSME employees will receive wage increases of 2.5 percent in 2011, 2012, and 2013. Police and fire rank and file employees will receive increases of 2.5 percent in 2011, 2.75 percent in 2012, and 3 percent in 2013. The City is still in negotiations with the Police Lieutenants Union.

While 2010 offered many positives, the inability to determine an end to the fiscal emergency makes evident the significant challenges still ahead of the City. One major obstacle for the City to resolve is how to eliminate the deficit in the Street Maintenance fund. With a deficit balance of \$1,048,947 at the end of 2010, this remains a very difficult issue for the City to resolve. The revenue sources in this fund are generally limited to motor vehicle license and gas tax monies received from the State. The City has increased motor vehicle license fees from \$10 to \$20, but this will only increase revenues by \$100,000. The Street Maintenance Fund will continue to have a negative cash balance until additional revenues can be applied toward this deficit.

REQUEST FOR INFORMATION

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

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Net Assets
December 31, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,255,943	\$15,058,205	\$20,314,148	\$0
Cash and Cash Equivalents with Fiscal Agent	82,310	347,694	430,004	0
Cash and Cash Equivalents with Escrow Agent	0	29,159	29,159	0
Investments in Segregated Accounts	0	0	0	9,633,104
Accounts Receivable	91,707	2,785,184	2,876,891	0
Due from Other Governments	580,453	0	580,453	0
Municipal Income Taxes Receivable	1,136,331	0	1,136,331	0
Other Local Taxes Receivable	13,746	0	13,746	0
Excise Taxes Receivable	0	40,055	40,055	0
Internal Balances	428,908	(428,908)	0	0
Prepaid Items	21,288	19,120	40,408	0
Materials and Supplies Inventory	113,895	17,748	131,643	0
Property Taxes Receivable	466,721	0	466,721	0
Notes Receivable	583,689	0	583,689	0
Special Assessments Receivable	0	424,034	424,034	0
Nondepreciable Capital Assets	3,742,506	2,538,901	6,281,407	0
Depreciable Capital Assets, Net	12,433,989	24,637,555	37,071,544	0
Investment in Joint Venture	0	1,402,729	1,402,729	0
Total Assets	24,951,486	46,871,476	71,822,962	9,633,104
<u>Liabilities</u>				
Accrued Wages Payable	119,805	51,407	171,212	0
Matured Compensated Absences Payable	81,620	0	81,620	0
Accounts Payable	71,890	766,466	838,356	0
Contracts Payable	0	315,367	315,367	0
Due to Other Governments	231,581	114,427	346,008	0
Retainage Payable	0	34,252	34,252	0
Accrued Interest Payable	20,845	89,843	110,688	0
Notes Payable	875,800	784,000	1,659,800	0
Deferred Revenue	420,502	0	420,502	0
Claims Payable	4,458	0	4,458	0
Deposits Held and Due to Others	0	268,752	268,752	0
Long-Term Liabilities				
Due Within One Year	590,534	1,025,269	1,615,803	0
Due in More Than One Year	1,706,325	21,435,443	23,141,768	0
Total Liabilities	4,123,360	24,885,226	29,008,586	0
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	14,101,913	9,605,501	23,707,414	0
Restricted for				
Capital Projects	359,019	0	359,019	0
Police and Fire	376,684	0	376,684	0
Revolving Loans	1,008,541	0	1,008,541	0
Other Purposes	659,809	0	659,809	0
Unrestricted	4,322,160	12,380,749	16,702,909	9,633,104
Total Net Assets	\$20,828,126	\$21,986,250	\$42,814,376	\$9,633,104

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Activities
For the Year Ended December 31, 2010**

	Program Revenues			
Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	
<u>Governmental Activities</u>				
Security of Persons and Property				
Police	\$1,860,566	\$38,282	\$26,022	\$0
Fire	1,776,486	418,613	5,479	0
Public Health	444,739	178,913	44,595	0
Leisure Time Activities	274,250	7,439	1,450	0
Community Environment	150,173	0	170,708	67,856
Transportation	1,828,103	282,609	425,813	635,771
General Government	1,244,650	464,285	12,000	6,500
Interest and Fiscal Charges	149,736	0	0	0
Total Governmental Activities	7,728,703	1,390,141	686,067	710,127
<u>Business-Type Activities</u>				
Water	1,706,595	1,921,065	0	0
Sewer	1,847,216	1,950,638	0	120,696
Electric	10,846,860	11,891,056	0	0
Storm Water	410,025	629,286	0	214,513
Total Business-Type Activities	14,810,696	16,392,045	0	335,209
Total Primary Government	\$22,539,399	\$17,782,186	\$686,067	\$1,045,336
<u>Component Unit</u>				
Egbert M. Freese Foundation	\$527,518	\$0	\$0	\$0
Total	\$23,066,917	\$17,782,186	\$686,067	\$1,045,336

General Revenues

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

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See Accompanying Notes to the Basic Financial Statements

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Egbert M. Freese Foundation
(\$1,796,262)	\$0	(\$1,796,262)	\$0
(1,352,394)	0	(1,352,394)	0
(221,231)	0	(221,231)	0
(265,361)	0	(265,361)	0
88,391	0	88,391	0
(483,910)	0	(483,910)	0
(761,865)	0	(761,865)	0
(149,736)	0	(149,736)	0
<u>(4,942,368)</u>	<u>0</u>	<u>(4,942,368)</u>	<u>0</u>
0	214,470	214,470	0
0	224,118	224,118	0
0	1,044,196	1,044,196	0
0	433,774	433,774	0
<u>0</u>	<u>1,916,558</u>	<u>1,916,558</u>	<u>0</u>
<u>(4,942,368)</u>	<u>1,916,558</u>	<u>(3,025,810)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(527,518)</u>
<u>(4,942,368)</u>	<u>1,916,558</u>	<u>(3,025,810)</u>	<u>(527,518)</u>
372,350	0	372,350	0
67,953	0	67,953	0
13,925	0	13,925	0
2,024,600	0	2,024,600	0
1,799,950	0	1,799,950	0
221,520	0	221,520	0
460,074	0	460,074	0
507,935	0	507,935	0
119,933	0	119,933	0
24,420	9,406	33,826	1,019,630
422,183	180,284	602,467	0
6,034,843	189,690	6,224,533	1,019,630
8,922	(8,922)	0	0
<u>6,043,765</u>	<u>180,768</u>	<u>6,224,533</u>	<u>1,019,630</u>
1,101,397	2,097,326	3,198,723	492,112
<u>19,726,729</u>	<u>19,888,924</u>	<u>39,615,653</u>	<u>9,140,992</u>
<u>\$20,828,126</u>	<u>\$21,986,250</u>	<u>\$42,814,376</u>	<u>\$9,633,104</u>

**CITY OF GALION
CRAWFORD COUNTY**

**Balance Sheet
Governmental Funds
December 31, 2010**

	General	Police and Fire Levy	Other Governmental	Total Governmental Funds
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,805,157	\$0	\$1,382,561	\$5,187,718
Accounts Receivable	91,707	0	0	91,707
Due from Other Governments	311,037	0	269,416	580,453
Municipal Income Taxes Receivable	568,166	510,010	58,155	1,136,331
Other Local Taxes Receivable	192	0	13,554	13,746
Interfund Receivable	1,655,372	0	0	1,655,372
Restricted Assets				
Equity in Pooled Cash and Cash Equivalents	4,181	0	0	4,181
Cash and Cash Equivalents with Fiscal Agent	82,310	0	0	82,310
Prepaid Items	14,769	0	6,519	21,288
Materials and Supplies Inventory	0	0	113,895	113,895
Property Taxes Receivable	394,617	0	72,104	466,721
Notes Receivable	0	0	583,689	583,689
Total Assets	\$6,927,508	\$510,010	\$2,499,893	\$9,937,411
<u>Liabilities and Fund Balance</u>				
<u>Liabilities</u>				
Accrued Wages Payable	\$50,034	\$57,805	\$11,966	\$119,805
Matured Compensated Absences Payable	81,620	0	0	81,620
Accounts Payable	15,478	0	55,464	70,942
Due to Other Governments	74,067	75,521	81,993	231,581
Interfund Payable	0	0	1,204,810	1,204,810
Accrued Interest Payable	10,951	0	3,095	14,046
Notes Payable	435,800	0	440,000	875,800
Deferred Revenue	1,115,528	390,837	306,687	1,813,052
Total Liabilities	1,783,478	524,163	2,104,015	4,411,656
<u>Fund Balance</u>				
Reserved for Unclaimed Monies	4,181	0	0	4,181
Reserved for Future Debt Service	82,310	0	0	82,310
Reserved for Notes Receivable	0	0	511,583	511,583
Reserved for Encumbrances	45,643	0	6,000	51,643
Unreserved, Reported in				
General Fund	5,011,896	0	0	5,011,896
Special Revenue Funds (Deficit)	0	(14,153)	38,281	24,128
Debt Service Funds (Deficit)	0	0	(69,142)	(69,142)
Capital Projects Funds (Deficit)	0	0	(90,844)	(90,844)
Total Fund Balance (Deficit)	5,144,030	(14,153)	395,878	5,525,755
Total Liabilities and Fund Balance	\$6,927,508	\$510,010	\$2,499,893	\$9,937,411

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities
December 31, 2010**

Total Governmental Fund Balance		\$5,525,755
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
		16,176,495
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	68,118	
Due from Other Governments	409,686	
Municipal Income Taxes Receivable	868,527	
Property Taxes Receivable	46,219	
	<hr/>	
		1,392,550
An internal balance is recorded in governmental activities to reflect overpayments to the internal service fund by the business-type activities.		
		(21,654)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(6,799)	
General Obligation Bonds Payable	(1,434,000)	
OPWC Loans Payable	(117,782)	
Police Pension Liability	(25,406)	
Fire Pension Liability	(96,298)	
Compensated Absences Payable	(623,373)	
	<hr/>	
		(2,303,658)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		
		<hr/>
		58,638
Net Assets of Governmental Activities		<hr/> <hr/>
		\$20,828,126

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2010**

	<u>General</u>	<u>Police and Fire Levy</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Property Taxes	\$369,422	\$0	\$81,362	\$450,784
Municipal Income Taxes	1,940,434	1,724,201	213,104	3,877,739
Other Local Taxes	460,074	0	186,606	646,680
Charges for Services	1,042,117	0	103,442	1,145,559
Fees, Licenses, and Permits	165,934	0	0	165,934
Fines and Forfeitures	21,851	0	15,481	37,332
Intergovernmental	561,168	0	1,209,217	1,770,385
Interest	24,412	0	21,043	45,455
Other	19,664	0	774,275	793,939
Total Revenues	4,605,076	1,724,201	2,604,530	8,933,807
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	508,132	1,131,609	225,963	1,865,704
Fire	296,554	1,118,335	287,010	1,701,899
Public Health	435,893	0	0	435,893
Leisure Time Activities	0	0	237,359	237,359
Community Environment	0	0	150,173	150,173
Transportation	0	0	1,346,525	1,346,525
General Government	1,382,508	0	33,824	1,416,332
Debt Service:				
Principal Retirement	16,500	0	474,876	491,376
Interest and Fiscal Charges	29,355	0	122,543	151,898
Total Expenditures	2,668,942	2,249,944	2,878,273	7,797,159
Excess of Revenues Over (Under) Expenditures	1,936,134	(525,743)	(273,743)	1,136,648
<u>Other Financing Sources (Uses)</u>				
Transfers In	0	478,222	837,577	1,315,799
Transfers Out	(1,243,994)	0	(71,805)	(1,315,799)
Total Other Financing Sources (Uses)	(1,243,994)	478,222	765,772	0
Changes in Fund Balance	692,140	(47,521)	492,029	1,136,648
Fund Balance (Deficit) Beginning of Year	4,451,890	33,368	(96,151)	4,389,107
Fund Balance (Deficit) End of Year	<u>\$5,144,030</u>	<u>(\$14,153)</u>	<u>\$395,878</u>	<u>\$5,525,755</u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balance
of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2010**

Changes in Fund Balance - Total Governmental Funds \$1,136,648

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

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

Capital Outlay - Nondepreciable Capital Assets	507,890	
Capital Outlay - Depreciable Capital Assets	309,636	
Assets Transferred From Business-Type Activities	8,922	
Depreciation	<u>(1,290,849)</u>	(464,401)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (10,044)

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

Property Taxes	3,444	
Municipal Income Taxes	168,331	
Charges for Services	(26,210)	
Fees, Licenses, and Permits	853	
Intergovernmental	(4,805)	
Other	<u>(254,242)</u>	(112,629)

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

General Obligation Bonds Payable	475,500	
OPWC Loans Payable	13,087	
Police Pension Liability	582	
Fire Pension Liability	<u>2,207</u>	491,376

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. 2,162

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. 60,275

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. (1,990)

Change in Net Assets of Governmental Activities \$1,101,397

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues</u>				
Property Taxes	\$297,000	\$297,000	\$369,422	\$72,422
Municipal Income Taxes	2,000,000	2,000,000	1,943,200	(56,800)
Other Local Taxes	440,000	440,000	457,345	17,345
Charges for Services	1,193,500	1,193,500	1,028,688	(164,812)
Fees, Licenses, and Permits	140,000	140,000	165,934	25,934
Fines and Forfeitures	21,000	21,000	21,408	408
Intergovernmental	326,500	326,500	534,078	207,578
Interest	20,000	20,000	24,407	4,407
Other	0	0	15,282	15,282
Total Revenues	4,438,000	4,438,000	4,559,764	121,764
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	618,173	618,173	448,598	169,575
Fire	503,873	513,373	293,736	219,637
Public Health	548,875	548,875	436,112	112,763
General Government	1,958,148	1,958,148	1,401,546	556,602
Debt Service:				
Principal Retirement	126,900	126,900	230,900	(104,000)
Interest and Fiscal Charges	7,200	7,200	32,196	(24,996)
Total Expenditures	3,763,169	3,772,669	2,843,088	929,581
Excess of Revenues Over Expenditures	674,831	665,331	1,716,676	1,051,345
<u>Other Financing Sources (Uses)</u>				
Other Financing Sources	0	0	4,382	4,382
Bond Anticipation Notes Issued	82,800	82,800	82,800	0
Transfers Out	(1,853,990)	(1,853,990)	(1,243,994)	609,996
Total Other Financing Sources (Uses)	(1,771,190)	(1,771,190)	(1,156,812)	614,378
Changes in Fund Balance	(1,096,359)	(1,105,859)	559,864	1,665,723
Fund Balance Beginning of Year	4,350,521	4,350,521	4,350,521	0
Prior Year Encumbrances Appropriated	137,929	137,929	137,929	0
Fund Balance End of Year	\$3,392,091	\$3,382,591	\$5,048,314	\$1,665,723

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Revenues, Expenditures,
and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
Police and Fire Levy Special Revenue Fund
For the Year Ended December 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Municipal Income Taxes	<u>\$1,780,000</u>	<u>\$1,780,000</u>	<u>\$1,726,662</u>	<u>(\$53,338)</u>
<u>Expenditures</u>				
Current:				
Security of Persons and Property				
Police	1,270,000	1,270,000	1,129,696	140,304
Fire	<u>1,226,000</u>	<u>1,226,000</u>	<u>1,116,033</u>	<u>109,967</u>
Total Expenditures	<u>2,496,000</u>	<u>2,496,000</u>	<u>2,245,729</u>	<u>250,271</u>
Excess of Revenues Under Expenditures	(716,000)	(716,000)	(519,067)	196,933
<u>Other Financing Sources</u>				
Transfers In	<u>716,000</u>	<u>716,000</u>	<u>478,222</u>	<u>(237,778)</u>
Changes in Fund Balance	0	0	(40,845)	(40,845)
Fund Balance Beginning of Year	<u>40,845</u>	<u>40,845</u>	<u>40,845</u>	<u>0</u>
Fund Balance End of Year	<u><u>\$40,845</u></u>	<u><u>\$40,845</u></u>	<u><u>\$0</u></u>	<u><u>(\$40,845)</u></u>

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Fund Net Assets
Proprietary Funds
December 31, 2010**

	Business-Type Activities				Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Storm Water		Internal Service Fund
<u>Assets</u>						
<u>Current Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$2,356,751	\$2,080,029	\$8,878,022	\$1,474,651	\$14,789,453	\$64,044
Cash and Cash Equivalents with Fiscal Agent	0	0	347,694	0	347,694	0
Accounts Receivable	326,373	269,801	2,109,030	79,980	2,785,184	0
Excise Taxes Receivable	0	0	40,055	0	40,055	0
<u>Restricted Assets</u>						
Equity in Pooled Cash and Cash Equivalents	75,359	71,871	121,522	0	268,752	0
Cash and Cash Equivalents with Escrow Agent	0	29,159	0	0	29,159	0
Prepaid Items	4,653	4,717	8,242	1,508	19,120	0
Materials and Supplies Inventory	16,928	820	0	0	17,748	0
Special Assessments Receivable	10,742	17,527	0	0	28,269	0
Total Current Assets	2,790,806	2,473,924	11,504,565	1,556,139	18,325,434	64,044
<u>Non-Current Assets</u>						
Special Assessments Receivable	150,391	245,374	0	0	395,765	0
Nondepreciable Capital Assets	861,428	1,333,879	343,594	0	2,538,901	0
Depreciable Capital Assets, Net	7,378,370	9,144,321	5,806,950	2,307,914	24,637,555	0
Investment in Joint Venture	0	0	1,402,729	0	1,402,729	0
Total Non-Current Assets	8,390,189	10,723,574	7,553,273	2,307,914	28,974,950	0
Total Assets	11,180,995	13,197,498	19,057,838	3,864,053	47,300,384	64,044
<u>Liabilities</u>						
<u>Current Liabilities</u>						
Accrued Wages Payable	12,630	15,012	22,185	1,580	51,407	0
Accounts Payable	18,462	21,728	725,647	629	766,466	948
Contracts Payable	0	2,779	0	312,588	315,367	0
Due to Other Governments	25,503	31,903	49,314	7,707	114,427	0
Retainage Payable	0	34,252	0	0	34,252	0
Compensated Absences Payable	17,323	21,300	26,840	1,510	66,973	0
Interfund Payable	104,961	118,913	200,157	26,531	450,562	0
Accrued Interest Payable	0	2,056	85,181	2,606	89,843	0
Notes Payable	0	349,234	0	434,766	784,000	0
Claims Payable	0	0	0	0	0	4,458
General Obligations Bonds Payable	0	0	466,000	0	466,000	0
OPWC Loans Payable	10,555	26,907	0	0	37,462	0
OWDA Loans Payable	207,297	80,692	0	0	287,989	0
Capital Leases Payable	0	0	0	32,171	32,171	0
AMP Ohio Payable	0	0	134,674	0	134,674	0
Total Current Liabilities	396,731	704,776	1,709,998	820,088	3,631,593	5,406
<u>Non-Current Liabilities</u>						
Deposits Held and Due to Others	75,359	71,871	121,522	0	268,752	0
General Obligations Bonds Payable	0	0	7,322,000	0	7,322,000	0
OPWC Loans Payable	128,330	67,268	0	0	195,598	0
OWDA Loans Payable	6,510,224	5,364,046	0	0	11,874,270	0
AMP Ohio Payable	0	0	1,568,463	0	1,568,463	0
Compensated Absences Payable	128,671	109,196	233,280	3,965	475,112	0
Total Non-Current Liabilities	6,842,584	5,612,381	9,245,265	3,965	21,704,195	0
Total Liabilities	7,239,315	6,317,157	10,955,263	824,053	25,335,788	5,406
<u>Net Assets</u>						
Invested in Capital Assets, Net of Related Debt	1,383,392	4,939,287	1,441,845	1,840,977	9,605,501	0
Unrestricted	2,558,288	1,941,054	6,660,730	1,199,023	12,359,095	58,638
Total Net Assets	\$3,941,680	\$6,880,341	\$8,102,575	\$3,040,000	\$21,964,596	\$58,638

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

21,654

Net assets of business-type activities

\$21,986,250

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2010**

	Business-Type Activities				Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Storm Water		Internal Service Fund
Operating Revenues						
Charges for Services	\$1,921,065	\$1,950,638	\$11,891,056	\$629,286	\$16,392,045	\$78,806
Other	25,338	33,074	121,856	16	180,284	0
Total Operating Revenues	1,946,403	1,983,712	12,012,912	629,302	16,572,329	78,806
Operating Expenses						
Salaries	396,383	443,774	641,143	86,947	1,568,247	0
Benefits	263,347	306,962	424,394	78,659	1,073,362	0
Contractual Services	112,953	172,654	8,506,173	35,618	8,827,398	948
Materials and Supplies	227,354	299,416	160,440	72,265	759,475	0
Bad Debt	21,915	31,165	205,088	20,929	279,097	0
Claims	0	0	0	0	0	81,016
Depreciation	366,292	246,073	218,414	63,404	894,183	0
Other	104,961	118,913	163,826	26,531	414,231	0
Total Operating Expenses	1,493,205	1,618,957	10,319,478	384,353	13,815,993	81,964
Operating Income (Loss)	453,198	364,755	1,693,434	244,949	2,756,336	(3,158)
Non-Operating Revenues (Expenses)						
Grants	0	120,696	0	214,513	335,209	0
Interest Revenue	0	0	9,406	0	9,406	0
Interest Expense	(213,040)	(227,920)	(418,671)	(25,649)	(885,280)	0
Loss on Disposal of Capital Assets	(3,411)	(2,099)	(3,412)	0	(8,922)	0
Loss from Joint Venture	0	0	(108,255)	0	(108,255)	0
Total Non-Operating Revenues (Expenses)	(216,451)	(109,323)	(520,932)	188,864	(657,842)	0
Income before Capital Contributions and Transfers	236,747	255,432	1,172,502	433,813	2,098,494	(3,158)
Transfers In	27,285	44,520	0	0	71,805	0
Transfers Out	(27,285)	(44,520)	0	0	(71,805)	0
Changes in Net Assets	236,747	255,432	1,172,502	433,813	2,098,494	(3,158)
Net Assets Beginning of Year	3,704,933	6,624,909	6,930,073	2,606,187		61,796
Net Assets End of Year	\$3,941,680	\$6,880,341	\$8,102,575	\$3,040,000		\$58,638

The change in net assets reported for business-type activities on the statement of activities is different because it includes a proportionate share of the net loss of the internal service fund.

(1,168)

Change in net assets of business-type activities

\$2,097,326

See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010**

	Business-Type Activities				Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Storm Water		Internal Service Fund
Increases (Decreases) in Cash and Cash Equivalents						
<u>Cash Flows from Operating Activities</u>						
Cash Received from Customers	\$1,938,790	\$1,947,109	\$11,860,521	\$601,799	\$16,348,219	\$0
Cash Received from						
Transactions with Other Funds	0	0	0	0	0	78,806
Cash Received from Deposits	33,415	32,664	61,820	0	127,899	0
Cash Received from Other Revenues	25,338	33,127	121,856	16	180,337	0
Cash Payments for Salaries	(390,133)	(503,819)	(616,705)	(100,021)	(1,610,678)	0
Cash Payments for Benefits	(252,250)	(293,388)	(405,128)	(74,807)	(1,025,573)	0
Cash Payments for Contractual Services	(112,545)	(163,013)	(8,783,428)	(36,006)	(9,094,992)	0
Cash Payments for Materials and Supplies	(217,656)	(392,862)	(37,682)	(72,140)	(720,340)	0
Cash Payments for Claims	0	0	0	0	0	(81,639)
Cash Payments for						
Transactions with Other Funds	(7,584)	(9,756)	(11,400)	(1,080)	(29,820)	0
Cash Payments for Deposits Refunded	(30,103)	(29,379)	(55,931)	0	(115,413)	0
Cash Payments for Other Expenses	(114,015)	(126,420)	(139,116)	(24,681)	(404,232)	0
Net Cash Provided by (Used for) Operating Activities	<u>873,257</u>	<u>494,263</u>	<u>1,994,807</u>	<u>293,080</u>	<u>3,655,407</u>	<u>(2,833)</u>
<u>Cash Flows from Noncapital Financing Activities</u>						
Grants	0	120,696	0	214,513	335,209	0
Transfers Out	(16,533)	(26,975)	0	0	(43,508)	0
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(16,533)</u>	<u>93,721</u>	<u>0</u>	<u>214,513</u>	<u>291,701</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities</u>						
Principal Paid on Bond Anticipation Notes	0	(136,500)	0	(287,000)	(423,500)	0
Principal Paid on General Obligation Bonds	0	0	(443,000)	0	(443,000)	0
Principal Paid on OPWC Loans	(10,555)	(26,907)	0	0	(37,462)	0
Principal Paid on OWDA Loans	(209,235)	(293,761)	0	(214,513)	(717,509)	0
Principal Paid on Capital Leases	0	0	0	(30,654)	(30,654)	0
Interest Paid on Bond Anticipation Notes	0	(15,708)	0	(20,890)	(36,598)	0
Interest Paid on General Obligation Bonds	0	0	(423,517)	0	(423,517)	0
Interest Paid on OWDA Loans	(201,013)	(190,987)	0	0	(392,000)	0
Interest Paid on Capital Leases	0	0	0	(3,110)	(3,110)	0
Bond Anticipation Notes Issued	0	349,234	0	434,766	784,000	0
OWDA Loans Issued	6,275	439,676	0	214,513	660,464	0
Acquisition of Capital Assets	(3,411)	(270,681)	(195,197)	(226,679)	(695,968)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(417,939)</u>	<u>(145,634)</u>	<u>(1,061,714)</u>	<u>(133,567)</u>	<u>(1,758,854)</u>	<u>0</u>
<u>Cash Flows from Investing Activities</u>						
Interest	0	0	9,406	0	9,406	0
Net Increase (Decrease) in Cash and Cash Equivalents	438,785	442,350	942,499	374,026	2,197,660	(2,833)
Cash and Cash Equivalents Beginning of Year	<u>1,993,325</u>	<u>1,738,709</u>	<u>8,404,739</u>	<u>1,100,625</u>	<u>13,237,398</u>	<u>66,877</u>
Cash and Cash Equivalents End of Year	<u><u>\$2,432,110</u></u>	<u><u>\$2,181,059</u></u>	<u><u>\$9,347,238</u></u>	<u><u>\$1,474,651</u></u>	<u><u>\$15,435,058</u></u>	<u><u>\$64,044</u></u>

(continued)

**CITY OF GALION
CRAWFORD COUNTY**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2010
(continued)**

	Business-Type Activities				Total Enterprise Funds	Governmental Activity
	Water	Sewer	Electric	Storm Water		Internal Service Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>						
Operating Income (Loss)	\$453,198	\$364,755	\$1,693,434	\$244,949	\$2,756,336	(\$3,158)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>						
Allowance for Uncollectibles	21,915	31,165	205,088	20,929	279,097	0
Depreciation	366,292	246,073	218,414	63,404	894,183	0
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	17,503	(3,890)	(30,535)	(27,487)	(44,409)	0
Increase in Excise Taxes Receivable	0	0	(3,164)	0	(3,164)	0
Decrease in Prepaid Items	255	313	1,339	5	1,912	0
Decrease in Materials and Supplies Inventory	8	319	0	0	327	0
Decrease in Special Assessments Receivable	222	361	0	0	583	0
Increase (Decrease) in Accrued Wages Payable	1,042	(451)	3,301	(870)	3,022	0
Increase (Decrease) in Accounts Payable	16,702	18,452	(25,350)	24	9,828	948
Decrease in Contracts Payable	(6,275)	(89,916)	(2,531)	0	(98,722)	0
Increase in Due to Other Governments	2,929	3,235	8,180	2,480	16,824	0
Decrease in Retainage Payable	0	(12,337)	0	0	(12,337)	0
Increase (Decrease) in Compensated Absences Payable	5,208	(59,594)	21,137	(12,204)	(45,453)	0
Increase (Decrease) in Interfund Payable	(9,054)	(7,507)	27,436	1,850	12,725	0
Decrease in Claims Payable	0	0	0	0	0	(623)
Decrease in AMP Ohio Payable	0	0	(127,831)	0	(127,831)	0
Increase in Deposits Held and Due to Others	3,312	3,285	5,889	0	12,486	0
Net Cash Provided by (Used for) Operating Activities	<u>\$873,257</u>	<u>\$494,263</u>	<u>\$1,994,807</u>	<u>\$293,080</u>	<u>\$3,655,407</u>	<u>(\$2,833)</u>

Non-Cash Capital Transactions

In 2010, the Water enterprise fund purchased capital assets and donated them to governmental funds, in the amount of \$3,411.

In 2010, the Sewer enterprise fund, purchased capital assets and donated them to governmental funds, in the amount of \$2,099.

In 2010, the Electric enterprise fund purchased capital assets and donated them to governmental funds, in the amount of \$3,412.

See Accompanying Notes to the Basic Financial Statements

CITY OF GALION
CRAWFORD COUNTY

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2010

Assets

Equity in Pooled Cash and Cash Equivalents	<u>\$15,683</u>
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Liabilities

Undistributed Assets	<u>\$15,683</u>
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See Accompanying Notes to the Basic Financial Statements

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

A. The City

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

The City operates under a council and full-time city manager form of government. Services provided include police protection, fire protection, ambulance, health services, parks and recreation, airport facilities, street maintenance and repair, and water, sewer, electric, and storm water services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by City Council through the budgetary process and by the City Manager through administrative and managerial procedures.

B. Reporting Entity

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

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

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

Discretely Presented Component Unit

The component unit column on the financial statements identifies the financial data of the City's component unit, the Egbert M. Freese Foundation. It is reported separately to emphasize that it is legally separate from the City. Information about this component unit is presented in Note 20 to the basic financial statements.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 1 - DESCRIPTION OF THE CITY OF GALION AND THE REPORTING ENTITY (continued)

Egbert M. Freese Foundation - The Egbert M. Freese Foundation (Foundation) is a not-for-profit corporation. The Foundation is organized, and at all times is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of the City of Galion. Upon the dissolution of the Foundation, after payment of all liabilities, all assets of the Foundation shall be transferred to the City of Galion. It is intended that the Foundation allocate its funds in such a way that one-eighth of the income is used for college scholarships for worthy high school graduates in the City, with the remaining income to be generally used for upkeep and maintenance of City facilities that benefit the citizens of the City or to pay costs of improvements as shown on the City's current capital improvements plan and which are otherwise suitable to the memory of Egbert M. Freese. For 2010, the City received \$412,000 from the Foundation. The Foundation is a component unit of the City since the nature and significance of the Foundation's relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Information on the Foundation may be obtained from the Law Offices of Hottenroth, Garverick, Tilson & Co., L.P.A., 126 South Market Street, P.O. Box 477, Galion, Ohio 44833.

The City of Galion participates in two joint ventures, a jointly governed organization, and a related organization. These organizations are the Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1), the Ohio Municipal Electric Generation Agency Joint Venture 2 (JV2), the Galion/Polk Township Community Improvement Corporation, and the Galion Public Library. These organizations are presented in Notes 21, 22, and 23 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Galion have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The City does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following are the City's major governmental funds:

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

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

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

Proprietary Funds

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

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

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

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

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

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

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications; pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are not available to support the City's own programs. The City did not have any trust funds in 2010. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for transient fees collected for use by a convention and visitors bureau and for health care contributions deducted from employee salaries.

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues - Exchange and Nonexchange Transactions

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

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

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

Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2010, but were levied to finance 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process

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

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

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

F. Cash and Investments

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

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

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

During fiscal year 2010, the City invested in mutual funds. The mutual funds are reported at fair value, which is based on current share price.

Interest earnings are allocated to City funds according to State statutes, City charter, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2010 was \$24,412, which includes \$15,337 assigned from other City funds.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

G. Restricted Assets

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

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

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

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

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, 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 expensed/expensed when used. Inventory consists of expendable supplies held for consumption.

J. Capital Assets

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

K. Interfund Receivables/Payables

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

L. Compensated Absences

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

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance and repair of streets and highways, recreation, police and fire department activities, and airport facilities. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

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

P. Operating Revenues and Expenses

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

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. Estimates

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

NOTE 3 - ACCOUNTABILITY

At December 31, 2010, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Fund	
Police and Fire Levy	\$14,153
Nonmajor Special Revenue Funds	
Street Maintenance	1,048,947
Police Pension	20,950
Fire Pension	30,825
Nonmajor Debt Service Fund	
Cheshire Special Assessment	71,806
Nonmajor Capital Projects Funds	
Freese Construction	9,863
Urban Paving Project	277,877

The deficit fund balances resulted from adjustments for accrued liabilities. In addition, the Street Maintenance special revenue fund had expenditures in excess of revenues for a number of previous years contributing to the current deficit. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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	\$692,140	(\$47,521)
<u>Increases (Decreases) Due To</u>		
Revenue Accruals:		
Accrued 2009, Received in Cash 2010	659,828	121,634
Accrued 2010, Not Yet Received in Cash	(700,753)	(119,173)
Expenditure Accruals:		
Accrued 2009, Paid in Cash 2010	(148,472)	(129,111)
Accrued 2010, Not Yet Paid in Cash	232,150	133,326
Cash Accruals:		
Unrecorded Activity 2009	1,598	0
Unrecorded Activity 2010	(1,450)	0
Prepaid Items	3,117	0
Note Principal Retirement	(214,400)	0
Notes Issued	82,800	0
Encumbrances Outstanding at Year End (Budget Basis)	(46,694)	0
Budget Basis	\$559,864	(\$40,845)

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time.

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

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

Investments

As of December 31, 2010, the City had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreement	\$18,065,988	1/3/11
Mutual Fund	82,310	48 days
	<u>\$18,148,298</u>	

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

The securities underlying the repurchase agreement (Federal National Mortgage Association Notes) and mutual funds carry a rating of Aaa by Moody's. The City has no investment policy dealing with credit risk beyond the requirements of State Statute. Ohio law requires that repurchase agreements be limited to investments in United States treasury securities and federal government agency securities and that mutual funds in eligible securities be rated in the highest category at the time of purchase by at least one nationally recognized standard of rating service.

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

	Fair Value	Percentage of Portfolio
Repurchase Agreement	\$18,065,988	99.55%
Mutual Fund	82,310	.45

NOTE 6 - RECEIVABLES

Receivables at December 31, 2010, consisted of accounts (billings for user charged services, including unbilled utility services); intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; excise taxes; interfund; property taxes; notes, and special assessments. All receivables are considered collectible in full and within one year, except for municipal income taxes, property taxes, notes, special assessments, and the allowance for uncollectibles related to utility services. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Notes receivable, in the amount of \$511,583, will not be received within one year. Special assessments, in the amount of \$395,765, will not be received within one year. There were delinquent special assessments, in the amount of \$368, at December 31, 2010.

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

	Water	Sewer	Electric	Storm Water	Total Enterprise Funds
Accounts Receivable	\$463,388	\$414,762	\$3,054,547	\$134,196	\$4,066,893
Less Allowance for Uncollectibles	(137,015)	(144,961)	(945,517)	(54,216)	(1,281,709)
Net Accounts Receivable	\$326,373	\$269,801	\$2,109,030	\$79,980	\$2,785,184

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 6 - RECEIVABLES (continued)

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	\$29,652
Personal Property Phase-Out	5,868
Local Government	162,671
Beer and Liquor Permits	144
Cigarette Taxes	303
Estate Taxes	96,811
Fines and Forfeitures	1,486
Victims of Crime	12,896
Public Health Emergency Preparedness	1,206
Total General Fund	<u>311,037</u>
Nonmajor Funds	
OVI Enforcement	
Fines	<u>50</u>
Street Maintenance	
Gasoline Tax	168,519
Motor Vehicle License Tax	34,765
Total Street Maintenance	<u>203,284</u>
State Highway	
Gasoline Tax	13,664
Motor Vehicle License Tax	2,819
Total State Highway	<u>16,483</u>
	(continued)

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 6 - RECEIVABLES (continued)

	Amount
Governmental Activities (continued)	
CHIP	
CHIP Grant	\$35,035
Police Pension	
Homestead and Rollback	2,698
Personal Property Phase-Out	534
Total Police Pension	3,232
Fire Pension	
Homestead and Rollback	2,698
Personal Property Phase-Out	534
Total Fire Pension	3,232
CDBG	
CDBG	8,100
Total Nonmajor Funds	269,416
Total Governmental Activities	\$580,453

NOTE 7 - MUNICIPAL INCOME TAXES

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

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

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

NOTE 8 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the City. Real property tax revenues received in 2010 represent the collection of 2009 taxes. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 8 - PROPERTY TAXES (continued)

Public utility property tax revenues received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2008, were levied after October 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2010 (other than public utility property) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2010, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2010 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while the remainder has been deferred.

The full tax rate for all City operations for the year ended December 31, 2010, was \$3.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

<u>Category</u>	<u>Amount</u>
Real Property	
Agricultural	\$729,720
Residential	92,216,660
Commercial	24,188,890
Industrial	7,924,200
Public Utility Property	
Real	43,980
Personal	597,670
Tangible Personal Property	186,970
Total Assessed Value	<u>\$125,888,090</u>

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$3,485,816	\$0	\$0	\$3,485,816
Construction in Progress	301,752	507,890	(552,952)	256,690
Total Nondepreciable Capital Assets	<u>3,787,568</u>	<u>507,890</u>	<u>(552,952)</u>	<u>3,742,506</u>
Depreciable Capital Assets				
Buildings	1,050,562	0	0	1,050,562
Improvements Other Than Buildings	1,011,080	223,735	0	1,234,815
Streets	21,480,837	367,718	0	21,848,555
Bridges	1,236,330	0	0	1,236,330
Equipment	635,962	158,968	(15,252)	779,678
Vehicles	1,679,554	121,089	(20,000)	1,780,643
Total Depreciable Capital Assets	<u>27,094,325</u>	<u>871,510</u>	<u>(35,252)</u>	<u>27,930,583</u>
Less Accumulated Depreciation for				
Buildings	(386,126)	(29,293)	0	(415,419)
Improvements Other Than Buildings	(75,292)	(47,716)	0	(123,008)
Streets	(12,158,936)	(1,033,638)	0	(13,192,574)
Bridges	(524,270)	(24,727)	0	(548,997)
Equipment	(334,298)	(44,912)	13,208	(366,002)
Vehicles	(752,031)	(110,563)	12,000	(850,594)
Total Accumulated Depreciation	<u>(14,230,953)</u>	<u>(1,290,849)</u>	<u>25,208</u>	<u>(15,496,594)</u>
Total Depreciable Capital Assets, Net	<u>12,863,372</u>	<u>(419,339)</u>	<u>(10,044)</u>	<u>12,433,989</u>
Governmental Activities Capital Assets, Net	<u>\$16,650,940</u>	<u>\$88,551</u>	<u>(\$562,996)</u>	<u>\$16,176,495</u>

During 2010, governmental funds accepted contributions of capital assets from business-type activities, in the amount of \$8,922.

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	\$2,169,744	\$0	\$0	\$2,169,744
Construction in Progress	4,644,096	947,588	(5,222,527)	369,157
Total Nondepreciable Capital Assets	<u>6,813,840</u>	<u>947,588</u>	<u>(5,222,527)</u>	<u>2,538,901</u>
Depreciable Capital Assets				
Buildings	13,684,258	4,650,120	0	18,334,378
Improvements Other Than Buildings	7,237,687	0	0	7,237,687
Water, Sewer, Electric, and Storm Water Lines	9,503,341	572,407	(399)	10,075,349
Equipment	3,275,077	61,747	(8,922)	3,327,902
Vehicles	1,266,270	0	0	1,266,270
Total Depreciable Capital Assets	<u>34,966,633</u>	<u>5,284,274</u>	<u>(9,321)</u>	<u>40,241,586</u>

(continued)

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 9 - CAPITAL ASSETS (continued)

	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010
Business-Type Activities (continued):				
Less Accumulated Depreciation for				
Buildings	(\$7,632,952)	(\$362,188)	\$0	(\$7,995,140)
Improvements Other Than Buildings	(1,834,231)	(128,671)	0	(1,962,902)
Water, Sewer, Electric, and				
Storm Water Lines	(3,059,217)	(181,981)	399	(3,240,799)
Equipment	(1,393,744)	(143,482)	0	(1,537,226)
Vehicles	(790,103)	(77,861)	0	(867,964)
Total Accumulated Depreciation	<u>(14,710,247)</u>	<u>(894,183)</u>	<u>399</u>	<u>(15,604,031)</u>
Total Depreciable Capital Assets, Net	<u>20,256,386</u>	<u>4,390,091</u>	<u>(8,922)</u>	<u>24,637,555</u>
Business-Type Activities Capital Assets, Net	<u>\$27,070,226</u>	<u>\$5,337,679</u>	<u>(\$5,231,449)</u>	<u>\$27,176,456</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	\$36,942
Security of Persons and Property - Fire	53,969
Public Health	2,331
Leisure Time Activities	53,817
Transportation	1,130,505
General Government	13,285
Total Depreciation Expense - Governmental Activities	<u>\$1,290,849</u>

NOTE 10 - INTERFUND RECEIVABLES/PAYABLES

At December 31, 2010, the General Fund had an interfund receivable, in the amount of \$1,655,372; \$1,204,810 from other governmental funds to alleviate deficit cash balances, and \$104,961 from the Water enterprise fund, \$118,913 from the Sewer enterprise fund, \$200,157 from the Electric enterprise fund, and \$26,531 from the Storm Water enterprise fund for services provided to those funds. Amounts due from the enterprise funds are expected to be received within one year. Repayment of the remaining amounts cannot be determined.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2010, the City contracted with U. S. Specialty Insurance Company for the following insurance coverage:

Type of Coverage	Coverage	Deductible
Property (building and contents)	\$14,402,076	\$1,000
Flood/Earthquake	500,000	50,000
General Liability		
Per Occurrence	1,000,000	0
Aggregate	3,000,000	0
Employee Benefits Liability		
Each Employee Limit	1,000,000	1,000
Aggregate	3,000,000	1,000
Stop Gap Liability	1,000,000	0
Public Officials Liability	1,000,000	1,000
Law Enforcement Liability	1,000,000	5,000
Automobile Liability	1,000,000	5,000
Commercial Umbrella	5,000,000	10,000
Crime Coverage	250,000	500

There has been no significant reduction in insurance coverage from 2009, and no insurance settlement has exceeded insurance coverage during the last three years.

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

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

The changes in the claims liability for 2010 and 2009 were as follows:

Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2010	\$5,081	\$81,016	\$81,639	\$4,458
2009	\$3,638	\$66,015	\$64,572	\$5,081

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 12 - SIGNIFICANT CONTRACTUAL COMMITMENTS

The City has several outstanding contracts for professional services. The following amounts remain on these contracts as of December 31, 2010:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid as of 12/31/10</u>	<u>Outstanding Balance</u>
Burgess and Niple	\$186,100	\$165,847	\$20,253
United Survey	221,120	0	221,120
United Survey	221,120	120,696	100,424
Pearce Engineering	400,000	333,574	66,426
Beheler Excavating	303,556	214,513	89,043
Beheler Excavating	186,829	0	186,829

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan. For 2010, member and employer contribution rates were consistent across all three plans.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

The City's 2010 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the City's contribution was 17.87 percent of covered payroll. The portion of the City's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the City's contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1, through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010. Employer contribution rates are actuarially determined.

The City's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 was \$421,202, \$415,217, and \$382,437, respectively. For 2010, 86 percent has been contributed with the balance reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008. Contributions to the member-directed plan for 2010 were \$1,462 made by the City and \$1,044 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters. The OPF pension fund is authorized by the Ohio Revised Code to allocate a portion of the employer contribution to retiree health care benefits. For 2010, the portion of the City's contribution used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contribution to OPF for police and firefighters pension was \$160,808 and \$216,660 for the year ended December 31, 2010, \$158,480 and \$210,053, for the year ended December 31, 2009, and \$155,344 and 212,068, for the year ended December 31, 2008. For 2010, 86 percent has been contributed for police and 84 percent for firefighters with the balance reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of the employer contribution allocated to health care for members in the combined plan was 4.73 percent from January 1, through February 28, 2010, and 4.23 percent from March 1, through December 31, 2010.

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

The City's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2010, 2009, and 2008 was \$134,349, \$160,653, and \$185,707, respectively. For 2010, 86 percent has been contributed with the balance reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS retirement board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2010, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

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

The City's contribution to OPF which was allocated to fund postemployment health care benefits for police and firefighters was \$51,080 and \$56,794 for the year ended December 31, 2010, \$50,341 and \$55,062 for the year ended December 31, 2009, and \$46,091 and \$52,531 for the year ended December 31, 2008. For 2010, 86 percent has been contributed for police and 84 percent for firefighters with the balance reported as an intergovernmental payable. The full amount has been contributed for 2009 and 2008.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Health Care Benefits

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

B. Compensated Absences

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

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

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 16 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2010, were as follows:

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010
<u>Governmental Activities</u>					
<u>Revenue Anticipation Notes</u>					
General Fund					
2005 Local Government Fund	5.875%	\$457,000	\$0	\$104,000	\$353,000
<u>General Obligation Bond Anticipation Notes</u>					
General Fund					
2009 City Annex Building Improvement	4.00	110,400	0	110,400	0
2010 City Annex Building Improvement	4.00	0	82,800	0	82,800
Special Revenue Fund					
2009 Street Improvement	4.00	495,000	0	495,000	0
2010 Street Improvement	4.00	0	440,000	0	440,000
Total Governmental Activities		<u>\$1,062,400</u>	<u>\$522,800</u>	<u>\$709,400</u>	<u>\$875,800</u>
	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010
<u>Business-Type Activities</u>					
<u>General Obligation Bond Anticipation Notes</u>					
Enterprise Funds					
2009 Wastewater System	4.00%	\$136,500	\$0	\$136,500	\$0
2010 Wastewater System (Series A)	4.00	0	258,234	0	258,234
2010 Wastewater System (Series B)	4.00	0	91,000	0	91,000
2009 Storm System Improvement	4.00	287,000	0	287,000	0
2010 Storm System Improvement (Series A)	4.00	0	291,766	0	291,766
2010 Storm System Improvement (Series B)	4.00	0	143,000	0	143,000
Total Business-Type Activities		<u>\$423,500</u>	<u>\$784,000</u>	<u>\$423,500</u>	<u>\$784,000</u>

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

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 16 - NOTES PAYABLE (continued)

The bond anticipation notes in the General Fund, in the amount of \$82,800, were issued on October 28, 2010, to partially retire notes previously issued in 2009 to acquire a new heating and air conditioning system for the City Annex Building. The notes mature on October 27, 2011.

The bond anticipation notes in the special revenue fund, in the amount of \$440,000, were issued on October 28, 2010, to partially retire notes previously issued in 2009 to pay the cost of improving, in cooperation with ODOT, State Routes 19, 61, 97, and 598. The notes mature on October 27, 2011.

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$258,234, were issued on February 2, 2010, to improve sanitary sewer lines. The notes matured on February 10, 2011. As of December 31, 2010, none of the proceeds had been spent.

The bond anticipation notes in the Sewer enterprise fund, in the amount of \$91,000, were issued on October 28, 2010, to partially retire notes previously issued in 2009 to improve sanitary sewer lines. The notes mature on October 27, 2011. As of December 31, 2010, none of the proceeds had been spent.

The bond anticipation notes in the Storm Water enterprise fund, in the amount of \$291,766, were issued on February 2, 2010, to improve the storm water system. The notes matured on February 10, 2011.

The bond anticipation notes in the Storm Water enterprise fund, in the amount of \$143,000, were issued on October 28, 2010, to partially retire notes previously issued in 2009 to improve the storm water system. The notes mature on October 27, 2011.

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

Year	Revenue Anticipation Notes	
	Principal	Interest
2011	\$111,000	\$20,739
2012	117,000	14,217
2013	125,000	7,344
	<u>\$353,000</u>	<u>\$42,300</u>

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2010, was as follows:

	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
1990 Library (Original Amount \$800,000)	7.25-7.75%	\$75,000	\$0	\$75,000	\$0	\$0
2004 Various Purpose (Original Amount \$3,500,000)	5.00	1,750,000	0	350,000	1,400,000	350,000
2006 Street Equipment Acquisition (Original Amount \$169,980)	4.25	68,000	0	34,000	34,000	34,000
2007 Vehicle Acquisition (Original Amount \$62,295)	5.97	16,500	0	16,500	0	0
Total General Obligation Bonds		1,909,500	0	475,500	1,434,000	384,000
Other Long-Term Obligations						
OPWC Loans						
#CP02L	0.00	130,869	0	13,087	117,782	13,087
Police Pension Liability		25,988	0	582	25,406	608
Fire Pension Liability		98,505	0	2,207	96,298	2,302
Compensated Absences Payable		683,648	45,796	106,071	623,373	190,537
Total Other Long-Term Obligations		939,010	45,796	121,947	862,859	206,534
Total Governmental Activities		\$2,848,510	\$45,796	\$597,447	\$2,296,859	\$590,534
	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
<u>Business-Type Activities</u>						
General Obligation Bonds						
2007 Electric Improvement (Original Amount \$8,952,000)	5.25	\$8,231,000	\$0	\$443,000	\$7,788,000	\$466,000
Other Long-Term Obligations						
OPWC Loans						
Railroad Street Waterline (Original Amount \$71,104)	0.00	44,440	0	3,555	40,885	3,555
West End Waterline (Original Amount \$140,000)	0.00	105,000	0	7,000	98,000	7,000
Cherry Street Sewer (Original Amount \$541,829)	0.00	121,082	0	26,907	94,175	26,907
Total OPWC Loans		270,522	0	37,462	233,060	37,462

(continued)

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

<u>Business-Type Activities</u> (continued)	Interest Rate	Balance December 31, 2009	Additions	Reductions	Balance December 31, 2010	Due Within One Year
OWDA Loans						
#2735 Raw Water Line (Original Amount \$480,881)	2.00%	\$260,481	\$0	\$19,421	\$241,060	\$19,811
#3508 Water Treatment (Original Amount \$3,924,637)	2.00	3,151,100	0	112,139	3,038,961	114,393
#4088 Cheshire Subdivision (Original Amount \$983,863)	3.98	805,202	0	40,154	765,048	41,768
#4089 Sewer System Improvement (Original Amount \$1,600,253)	3.98	1,595,015	0	35,896	1,559,119	37,338
#4090 Cheshire (Original Amount \$1,232,112)	3.98	1,139,102	0	25,636	1,113,466	26,666
#4091 Water System Improvement (Original Amount \$2,218,464)	3.98	2,050,994	0	46,158	2,004,836	48,013
#4732 WWTP Bio-Solids (Original Amount \$81,117)	3.20	2,520,349	241,973	101,883	2,660,439	0
#4873 Water Tank Rehabilitation (Original Amount \$337,047)	4.61	651,860	6,275	22,742	635,393	0
#5176 WWTP Improvement Design (Original Amount \$85,355)	3.2	85,355	77,007	18,425	143,937	0
#5465 I&I Project (Original Amount \$335,209)	0.0	0	335,209	335,209	0	0
Total OWDA Loans		12,259,458	660,464	757,663	12,162,259	287,989
Capital Leases Payable		62,825	0	30,654	32,171	32,171
AMP Ohio Payable - JV 2		1,830,968	0	127,831	1,703,137	134,674
Compensated Absences Payable		587,538	38,851	84,304	542,085	66,973
Total Business-Type Activities		\$23,242,311	\$699,315	\$1,480,914	\$22,460,712	\$1,025,269

1990 Library General Obligation Bonds

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

2004 Various Purpose General Obligation Bonds

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

2006 Street Equipment Acquisition General Obligation Bonds

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

2007 Vehicle Acquisition General Obligation Bonds

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

Electric Improvement General Obligation Bonds

On December 21, 2007, the City issued \$8,952,000 in unvoted general obligation bonds to retire the Electric Improvement Loan, in the amount of \$4,927,000, and to upgrade an electric substation and the related distribution system. The bonds are being retired from the Electric enterprise fund. The bonds will mature on January 15, 2023. As of December 31, 2010, the City had unspent proceeds, in the amount of \$3,079,301.

OPWC Loans

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

OWDA Loans

OWDA loans consist of monies owed to the Ohio Water Development Authority for improvements to water and sewer lines and upgrades to the City's water and sewer treatment plants. OWDA loans are payable solely from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the loans (on completed projects for which amortization schedules are available) is \$12,460,113. Principal and interest paid in the Water and Sewer enterprise funds for the current year were \$410,248 and \$484,748, respectively. Total net revenues for the Water and Sewer enterprise funds were \$819,490 and \$610,828, respectively.

Police and Fire Pension Liability

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

Compensated Absences Payable

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

Capital Leases Payable

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

AMP Ohio Payable - JV2

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

These bonds will be paid solely from the gross revenues of the City's Electric enterprise fund after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the bonds are expected to require less than 100 percent of these net revenues. The total principal and interest remaining to be paid on the bonds is \$2,191,658. Principal and interest paid for the current year and total net revenues were \$217,811 and \$1,911,848, respectively.

The City's legal debt margin was \$11,264,113 at December 31, 2010.

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

	Governmental Activities				
	General Obligation Bonds		Police and Fire Pension		OPWC Loan
	Principal	Interest	Principal	Interest	Principal
2011	\$384,000	\$71,445	\$2,910	\$5,141	\$13,087
2012	350,000	52,644	3,034	5,017	13,087
2013	350,000	35,000	3,165	4,887	13,087
2014	350,000	17,500	3,302	4,750	13,087
2015	0	0	3,442	4,609	13,087
2016-2020	0	0	19,562	20,695	52,347
2021-2025	0	0	24,138	16,118	0
2026-2030	0	0	29,788	10,470	0
2031-2035	0	0	32,363	3,504	0
	\$1,434,00	\$176,589	\$121,704	\$75,191	\$117,782

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

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

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

Year	Business-Type Activities			
	General Obligation Bonds		OPWC Loans	
	Principal	Interest	Principal	
2011	\$466,000	\$399,801	\$37,462	
2012	491,000	374,850	37,462	
2013	517,000	348,561	37,462	
2014	546,000	320,854	24,009	
2015	574,000	291,651	10,555	
2016-2020	3,367,000	962,706	52,778	
2021-2023	1,827,000	121,957	33,332	
	\$7,788,000	\$2,820,380	\$233,060	

Year	OWDA Loans		AMP Ohio Payable	
	Principal	Interest	Principal	Interest
2011	\$287,989	\$280,128	\$134,674	\$84,550
2012	296,866	271,251	141,791	77,479
2013	306,044	262,073	149,182	70,036
2014	315,538	252,579	156,846	62,203
2015	325,358	242,759	165,058	53,969
2016-2020	1,786,305	1,054,279	955,586	140,284
2021-2025	1,913,943	756,312	0	0
2026-2030	1,898,740	462,660	0	0
2031-2035	1,591,707	155,582	0	0
	\$8,722,490	\$3,737,623	\$1,703,137	\$488,521

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 18 - CAPITAL LEASES - LESSEE DISCLOSURE

The City has entered into a capitalized lease for equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Principal payments in 2010 were \$30,654 in the enterprise funds.

	Business-Type Activities
Depreciable Capital Assets	
Equipment	\$146,381
Less Accumulated Depreciation for	
Equipment	(39,036)
Total	\$107,345

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2010.

Year	Business-Type Activities	
	Principal	Interest
2011	\$32,171	\$1,592

NOTE 19 - INTERFUND TRANSFERS

During 2010, the General Fund made transfers to the Police and Fire Levy special revenue fund, in the amount of \$478,222, and to other governmental funds, in the amount of \$765,772. Of the total, \$1,218,494 was to subsidize various programs in other funds and \$25,500 was to move receipts as debt payments came due.

Other governmental funds made transfers to the Water and Sewer enterprise funds, in the amount of \$27,285 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 \$27,285, to move receipts as debt payments came due.

The Sewer enterprise fund made transfers to other governmental funds, in the amount of \$44,520, to move receipts as debt payments came due.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 20 - EGBERT M. FREESE FOUNDATION

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

The Foundation's resources are invested in various securities as determined by the Board of Trustees. As of December 31, 2010, the Foundation's investments consisted of the following:

	Fair Value
Equities	\$6,089,258
Fixed Income	3,439,016
Cash Equivalents	104,830
	<u>\$9,633,104</u>

NOTE 21 - JOINT VENTURES

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

The City is a participant, with twenty-one other subdivisions within the State of Ohio, in a joint venture to provide electric power to its participants on a cooperative basis, the Ohio Municipal Electric Generation Agency Joint Venture 1 (JV1). The electric generating facilities of JV1, known as the Engle Units, are located in the City of Cuyahoga Falls. Title to these six diesel-powered generating units was transferred to the twenty-one municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a non-profit trade association and wholesale power supplier for most of Ohio's eighty-five municipal electric systems. JV1 is managed by AMP-Ohio, who acts as the joint venture's agent. The participants are obligated, by agreement, to remit on a monthly basis those costs incurred from using electric generated by the joint venture. In accordance with the joint venture agreement, the City remitted \$10,109 to the joint venture in 2010 for electricity. JV1 does not have any debt outstanding. In the event of a shortfall, the Joint Venture participants are billed for their respective shares of the estimated shortfall.

The City's net investment in JV1 was \$30,919 at December 31, 2010. Complete financial statements for JV1 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 21 - JOINT VENTURES (continued)

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

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of operation and maintenance expenses of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each financing participant is to fix, charge, and collect rates, fees, and charges at least sufficient enough to maintain a debt coverage ratio equal to 110 percent of the sum of JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2010, the City met its debt coverage obligation.

JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The project consists of 138.65 MW of distributed generation (of which 134.081 MW is the participant's entitlement and 4.569 MW are held in reserve). Upon dissolution of JV2, the net assets will be shared by the participants on a percentage of ownership basis. JV2 is managed by AMP-Ohio, who acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of twenty year fixed rate bonds on behalf of the financing participants of JV2. The net proceeds of the bond issue, in the amount of \$45,904,712, were contributed to JV2. The City's net obligation for these bonds at December 31, 2010, was \$1,703,137 (including amounts held in the bond fund, previous billings to members, interest payable, and debt service paid and collected). The City's investment and its share of the operating results of JV2 are reported in the City's Electric enterprise fund. The City's investment in JV2 was \$1,371,810 at December 31, 2010. Complete financial statements for JV2 may be obtained from AMP-Ohio or from the Auditor of State of Ohio website at www.auditor.state.oh.us.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 22 - JOINTLY GOVERNED ORGANIZATION

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

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

NOTE 23 - RELATED ORGANIZATION

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

NOTE 24 - FISCAL EMERGENCY

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

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

The more significant steps taken by the City to alleviate the fiscal emergency conditions include staff reductions, spending cuts, an additional .5 percent income tax for police and fire operations, increased utility rates for electric, water, and sewer, and local government fund borrowing (a provision of Section 118.07 of the Ohio Revised Code). As of December 31, 2010, the City was still in fiscal emergency and has not determined when this situation will be resolved.

For 2006 through 2010, the City was able to prepare a budget in which current year expenditures/expenses were within current year revenues; however, a number of funds continue to carry deficit fund balances/net assets due to carryover deficits.

**CITY OF GALION
CRAWFORD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 25 - CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grants

For the period January 1, 2010, to December 31, 2010, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be immaterial.

NOTE 26 - SUBSEQUENT EVENT

On February 9, 2011, the City issued \$1,442,505 in bond anticipation notes; \$412,505 to retire notes previously issued to improve sanitary sewer lines and the storm water system, \$180,000 for water line replacement, and \$850,000 for the widening of State Route 598. The notes have an interest rate of 2.10 percent and mature on February 9, 2012.



Dave Yost • Auditor of State

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

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 20, 2011, wherein we noted the City was placed in fiscal emergency by the State of Ohio pursuant to Ohio Revised Code Sections 118.03(A)(5), 118.03(A)(6), and 118.03(B). A fiscal emergency commission was appointed to oversee the financial affairs of the City and, as required by Ohio Revised Code §118.05(G), the Auditor of State served as the City's financial supervisor. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the City because the Auditor of State may assume broad management powers, duties, and functions under Ohio Revised Code §118.04. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated October 20, 2011.

We intend this report solely for the information and use of the finance committee, management, City Council, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 20, 2011

**CITY OF GALION
CRAWFORD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness / Material Non-Compliance Reporting Entity	Fully Corrected	
2009-002	Significant Deficiency / Material Non-Compliance Federal Awards Expenditure Schedule	Fully corrected	
2009-003	Material Weakness / Material Non-Compliance Reporting – Congressionally Mandated Projects	Fully Corrected	

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Dave Yost • Auditor of State

CITY OF GALION

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2011