



Dave Yost • Auditor of State

VILLAGE OF GALENA
DELAWARE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Galena
Delaware County
109 Harrison Street
P.O. Box 386
Galena, Ohio 43021

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Galena, Delaware County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Galena, Delaware County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2014

**VILLAGE OF GALENA
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 58,410	\$ -	\$ -	\$ 58,410
Municipal Income Tax	271,362	-	-	271,362
Intergovernmental	59,336	39,577	-	98,913
Fines, Licenses and Permits	4,425	-	-	4,425
Earnings on Investments	1,169	626	-	1,795
Miscellaneous	5,891	-	-	5,891
<i>Total Cash Receipts</i>	<u>400,593</u>	<u>40,203</u>	<u>-</u>	<u>440,796</u>
Cash Disbursements				
Current:				
Leisure Time Activities	47,476	-	-	47,476
Community Environment	16,292	-	-	16,292
Transportation	-	46,625	-	46,625
General Government	328,973	-	-	328,973
Capital Outlay	-	-	72,106	72,106
Debt Service:				
Principal Retirement	10,000	2,779	-	12,779
Interest and Fiscal Charges	20,440	-	-	20,440
<i>Total Cash Disbursements</i>	<u>423,181</u>	<u>49,404</u>	<u>72,106</u>	<u>544,691</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(22,588)</u>	<u>(9,201)</u>	<u>(72,106)</u>	<u>(103,895)</u>
Other Financing Receipts				
Other Financing Sources	5,569	-	-	5,569
<i>Total Other Financing Receipts</i>	<u>5,569</u>	<u>-</u>	<u>-</u>	<u>5,569</u>
<i>Net Change in Fund Cash Balances</i>	<u>(17,019)</u>	<u>(9,201)</u>	<u>(72,106)</u>	<u>(98,326)</u>
<i>Fund Cash Balances, January 1</i>	<u>286,270</u>	<u>155,854</u>	<u>72,106</u>	<u>514,230</u>
Fund Cash Balances, December 31				
Restricted	-	146,653	-	146,653
Assigned	217,723	-	-	217,723
Unassigned	51,528	-	-	51,528
<i>Fund Cash Balances, December 31</i>	<u>\$ 269,251</u>	<u>\$ 146,653</u>	<u>\$ -</u>	<u>\$ 415,904</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF GALENA
DELAWARE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$ 253,743</u>
<i>Total Operating Cash Receipts</i>	<u>253,743</u>
Operating Cash Disbursements	
Personal Services	13,000
Employee Fringe Benefits	3,120
Contractual Services	51,192
Supplies and Materials	<u>50,066</u>
<i>Total Operating Cash Disbursements</i>	<u>117,378</u>
<i>Operating Income</i>	<u>136,365</u>
Non-Operating Disbursements	
Principal Retirement	(10,375)
Interest and Other Fiscal Charges	<u>(20,564)</u>
<i>Total Non-Operating Disbursements</i>	<u>(30,939)</u>
<i>Net Change in Fund Cash Balances</i>	105,426
<i>Fund Cash Balances, January 1</i>	<u>87,854</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 193,280</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 66,803	\$ -	\$ -	\$ 66,803
Municipal Income Tax	265,925	-	-	265,925
Intergovernmental	53,423	105,062	188,553	347,038
Fines, Licenses and Permits	2,125	-	-	2,125
Earnings on Investments	1,687	754	-	2,441
Miscellaneous	1,215	-	-	1,215
<i>Total Cash Receipts</i>	<u>391,178</u>	<u>105,816</u>	<u>188,553</u>	<u>685,547</u>
Cash Disbursements				
Current:				
Leisure Time Activities	73,456	126,443	-	199,899
Community Environment	6,704	-	-	6,704
Transportation	-	33,127	258,022	291,149
General Government	283,091	-	-	283,091
Capital Outlay	-	-	15,194	15,194
Debt Service:				
Principal Retirement	712,300	-	-	712,300
Interest and Fiscal Charges	16,547	-	-	16,547
<i>Total Cash Disbursements</i>	<u>1,092,098</u>	<u>159,570</u>	<u>273,216</u>	<u>1,524,884</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(700,920)</u>	<u>(53,754)</u>	<u>(84,663)</u>	<u>(839,337)</u>
Other Financing Receipts				
Sale of Notes	312,300	-	87,300	399,600
Bond Proceeds	400,000	-	-	400,000
Other Debt Proceeds	-	-	69,469	69,469
Other Financing Sources	2,848	-	-	2,848
<i>Total Other Financing Receipts</i>	<u>715,148</u>	<u>-</u>	<u>156,769</u>	<u>871,917</u>
<i>Net Change in Fund Cash Balances</i>	14,228	(53,754)	72,106	32,580
<i>Fund Cash Balances, January 1</i>	<u>272,042</u>	<u>209,608</u>	<u>-</u>	<u>481,650</u>
Fund Cash Balances, December 31				
Restricted	-	155,854	72,106	227,960
Assigned	225,144	-	-	225,144
Unassigned	61,126	-	-	61,126
<i>Fund Cash Balances, December 31</i>	<u>\$ 286,270</u>	<u>\$ 155,854</u>	<u>\$ 72,106</u>	<u>\$ 514,230</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 228,027
<i>Total Operating Cash Receipts</i>	228,027
Operating Cash Disbursements	
Personal Services	28,000
Employee Fringe Benefits	6,480
Contractual Services	42,980
Supplies and Materials	116,854
<i>Total Operating Cash Disbursements</i>	194,314
<i>Operating Income</i>	33,713
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	345,300
Principal Retirement	(350,349)
Interest and Other Fiscal Charges	(20,425)
<i>Total Non-Operating Receipts (Disbursements)</i>	(25,474)
<i>Net Change in Fund Cash Balances</i>	8,239
<i>Fund Cash Balances, January 1</i>	79,615
<i>Fund Cash Balances, December 31</i>	\$ 87,854

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Galena, Delaware County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government and sewer utilities. The Village contracts with B.S.T.&G. (Berkshire, Sunbury, Trenton, and Galena) Joint Fire District to receive fire protection services. The Village utilized the Delaware County Sheriff's Office to provide police services for the years ended December 31, 2012 and 2011.

The Village participates in a jointly governed organization and the Ohio Plan Risk Management, Inc. (OPRM) public entity risk pool. Notes 8 & 10 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

B.S.T. & G. Joint Fire District – The Berkshire Township, the Village of Sunbury, Trenton Township, and the Village of Galena appoint one member to the Board of Trustees of the B.S.T. & G Joint Fire District.

Public Entity Risk Pool:

Ohio Plan Risk Management, Inc. (OPRM) – A public entity risk pool that jointly administered self-insurance risk management program and other administrative services to Ohio governments.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Village's accounting basis includes deposits as assets.

D. Fund Accounting

The Village uses fund accounting to segregate cash that are restricted as to use. The Village classifies its funds into the following types:

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

State Highway Fund – This fund receives gasoline tax and motor vehicle license tax money for constructing and repairing highways.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Municipal Building Fund – This fund receives proceeds of general obligation bonds. The proceeds are being used to construct a new municipal building.

Ohio Public Works Commission Fund – This fund receives Ohio Public Works Commission grants for constructing, maintaining, and repairing the Village streets and sewer system.

4. Enterprise Fund

This fund accounts for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

VILLAGE OF GALENA
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

During 2011, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*. Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF GALENA
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$609,184	\$602,084

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and December 31, 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$307,555	\$406,162	\$98,607
Special Revenue	32,000	40,203	8,203
Capital Projects	0	0	0
Enterprise	200,000	253,743	53,743
Total	\$539,555	\$700,108	\$160,553

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$499,275	\$423,181	\$76,094
Special Revenue	183,000	49,404	133,596
Capital Projects	72,106	72,106	0
Enterprise	257,014	148,317	108,697
Total	\$1,011,395	\$693,008	\$318,387

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,002,549	\$1,106,326	\$103,777
Special Revenue	96,114	105,816	9,702
Capital Projects	399,600	345,322	(54,278)
Enterprise	1,088,630	573,327	(515,303)
Total	\$2,586,893	\$2,130,791	(\$456,102)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,169,277	\$1,092,098	\$77,179
Special Revenue	302,441	159,570	142,871
Capital Projects	345,322	273,216	72,106
Enterprise	580,217	565,088	15,129
Total	\$2,397,257	\$2,089,972	\$307,285

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax receipts for the years ended December 31, 2012 and 2011 were \$271,362 and \$265,925, respectively, and are credited to the General Fund.

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2011 General Obligation Bonds	\$390,000	2%
Ohio Public Works Commission	\$66,690	0%
Ohio Water Development Authority Loan	537,661	3.77
Total	<u>\$994,351</u>	

The Ohio Water Development Authority (OWDA) loan relates to a cooperative agreement for the Villages' Wastewater Treatment Plant purchase and design improvements. The Village acquired the loan to acquire, construct, expand, rehabilitate, and improve the Municipal Wastewater Plant. The loan is finalized and the Village is required to make semi-annual principal payments and interest payments until the loan is paid off. The sewer revenue has been pledged to repay this loan.

On March 2, 2011, the Village issued \$400,000 in notes in anticipation of the general obligation bonds for the municipal building.

On September 1, 2011, the Village issued \$405,000 in General Obligation Bonds for the purpose of retiring notes for the purpose of acquiring land and interests in land located at 109 Harrison Street, Galena, Ohio including all improvements and appurtenances thereto, and making renovations and improvements thereto, authorizing participating in the Ohio Capital Asset Financing Program.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

On July 1, 2010, the Village entered into an agreement with the Director of the Ohio Public Works Commission for the Walnut Street Reconstruction (Phase II) project. Phase II of the project was completed in 2011 and the Village began paying on the loan.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan	General Obligation Bonds	OPWC Loan - Phase II
2013	\$30,942	\$31,913	\$2,779
2014	30,942	31,613	2,779
2015	30,942	31,163	2,779
2016	30,942	30,563	2,779
2017	30,942	29,963	2,779
2018-2022	154,712	159,113	13,894
2023-2027	154,712	157,538	13,894
2028-2032	154,712	123,538	13,894
2033-2037	154,712		11,113
2038-2041	123,770		
Total	<u>\$897,328</u>	<u>\$595,404</u>	<u>\$66,690</u>

7. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

9. Contingent Liabilities

The Village is defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

10. Jointly Governed Organizations

Berkshire Township, the Village of Sunbury, Trenton Township, and the Village of Galena appoint one member to the Board of Trustees of the B.S.T. & G. Joint Fire District. The B.S.T. & G. Joint Fire District provides fire protection and rescue services within the District. Additional information may be obtained in writing to B.S.T. & G. Joint Fire District, 350 West Cherry Street, Sunbury, Ohio 43074.

11. Subsequent Events

On July 30, 2012, the Village entered into an agreement with the State of Ohio through the Director of Public Works Commission (OPWC) for the Walnut Street Reconstruction Project (Phase III). The construction started in November 2012 and was completed in July 2013. The Village's portion of the loan is \$137,266 with payments beginning in 2014.



Dave Yost • Auditor of State

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

Village of Galena
Delaware County
109 Harrison Street
P.O. Box 386
Galena, Ohio 43021

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Galena, Delaware County, Ohio, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2014, wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. In addition, we noted that in 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-002.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2014

VILLAGE OF GALENA
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2012-001

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the Village's financial statements and accounting records, where applicable, to properly post receipts and expenditures.

1. In 2012 and 2011, the Village classified \$29,781 and \$34,073, respectively, in General Fund grant receipts as miscellaneous receipts instead of intergovernmental receipts.
2. In 2011, the Village classified \$65,294 in Ohio Department of Natural Resources grant monies as miscellaneous receipts instead of intergovernmental receipts in the Parks & Recreation Fund.
3. In 2011, the Village misclassified \$15,194 in capital outlay expenditures as principal retirement in the Municipal Building Fund.
4. The Village misclassified the principal retirement and interest & other fiscal charges in the Sewer Fund. In 2012, a reclassification of \$20,564 was made to decrease principal retirement and increase interest and other fiscal charges. In 2011, a reclassification of \$334,875 was made to increase principal retirement and decrease interest & other fiscal charges.
5. In 2012, the Village misclassified \$2,779 for the Ohio Public Works Commission debt repayment as transportation expense instead of principal retirement in the Street Fund.
6. In 2011, the Village misclassified bond proceeds as sale of notes in the General Fund for \$400,000.

Additionally, a reclassification was made to apply Governmental Accounting Standards Board Statement 54, a new accounting standard that enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied.

1. In 2012 and 2011, the Village misclassified the General Fund balance of \$217,723 and \$225,144, respectively, as unassigned instead of assigned to account for subsequent appropriations exceeding estimated receipts in the General Fund.

Finding 2012-02 also discusses audit adjustments that were required to be made to the financial statements.

By not properly classifying transactions and fund balances, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

The reclassifications identified during the audit should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Board of Trustees should review the financial statements and note disclosures to identify and correct errors and omissions.

Officials' Response:

We will make greater effort to work with the Administrator Jeanna Burrell and AOS to properly post transactions and fund balances as grants are received and processed.

We will be submitting for Council approval of the UAN reports titled; Cash Activity, Cash Summary by Fund, and the Bank Reconciliation sheets.

VILLAGE OF GALENA
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-002

Material Noncompliance / Material Weakness

Ohio Revised Code § 5705.09 states that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. In addition, Auditor of State Bulletin 2002-004 states that when receiving monies from Ohio Public Works Commission, the entity is to establish a capital projects fund to account for the monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund because the authority exists under Section 5705.09. The purpose of the fund is to account for the related revenues and expenditures to the extent the entity has received benefit from the project.

In 2011, the Village received \$188,553 in grant receipts and \$69,469 in loan proceeds from the Ohio Public Works Commission. The Village did not post the receipts or the expenditures to the Village's accounting system.

We proposed audit adjustments for 2011 for the Village to post \$188,553 as intergovernmental receipts, \$69,469 as debt proceeds, and \$228,022 as transportation expenditures to a capital projects fund. These adjustments are reflected on the December 31, 2011 financial statements and were made to the Village's accounting records.

The Village should ensure that all future Ohio Public Works projects are properly account for in a capital projects fund.

Officials' Response:

We will make a greater effort to work with the Administrator Jeanna Burrell to properly post funds for Capital projects as they are received.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-VOG-001	Financial Statement Presentation	No	Reissued as 2012-001
2010-VOG-002	Ohio Revised Code §5075.39	Yes	N/A
2010-VOG-003	Ohio Revised Code §5075.36	Yes	N/A
2010-VOG-004	Ohio Revised Code §5075.41(B)	Yes	N/A
2010-VOG-005	Ohio Revised Code §5075.40	Yes	N/A
2010-VOG-006	Ohio Revised Code §5075.41(D)	Yes	N/A

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VILLAGE OF GALENA

DELAWARE 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
MARCH 18, 2014