

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2006 and 2005

**MARTHA MAZZIE, FISCAL OFFICER**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Galena  
9 W. Columbus Street  
P.O. Box 386  
Galena, Ohio 43201

We have reviewed the *Independent Auditor's Report* of the Village of Galena, Delaware County, prepared by Julian & Grube, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 5, 2007

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**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

Village of Galena  
9 W. Columbus Street  
P.O. Box 386  
Galena, Ohio 43201-0386

We have audited the accompanying financial statements of the Village of Galena, Delaware County, (the "Village") as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Village of Galena prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village of Galena to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for December 31, 2006 and 2005. While the Village of Galena does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Galena has elected not to reformat its statements. Since the Village of Galena does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Independent Auditor's Report  
Village of Galena  
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Galena as of December 31, 2006 and 2005, or its changes in financial position or cash flows of its proprietary fund type for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Galena, Delaware County, as of and for the years ended December 31, 2006 and 2005, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the accounting basis as Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village of Galena to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Village of Galena has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2007, on our consideration of the Village of Galena'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.



Julian & Grube, Inc.  
September 11, 2007

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2006 AND 2005

<u>Cash and Cash Equivalents</u>	<u>2006</u>	<u>2005</u>
Cash and Cash Equivalents	\$ 391,115	\$ 502,454
Total Cash and Cash Equivalents	<u>\$ 391,115</u>	<u>\$ 502,454</u>
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 105,277	\$ 189,423
Special Revenue	218,724	187,135
Capital Projects Funds	<u>-</u>	<u>2,764</u>
Total Governmental Funds	<u>324,001</u>	<u>379,322</u>
 <u>Proprietary Fund Type:</u>		
Enterprise	<u>67,114</u>	<u>123,132</u>
Total Fund Balances	<u>\$ 391,115</u>	<u>\$ 502,454</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 29,096	\$ -	\$ -	\$ 29,096
Municipal Income Tax	140,964	-	-	140,964
Intergovernmental	32,604	38,644	2,128	73,376
Charges for services	-	4,874	-	4,874
Fines, licenses, and permits	4,800	-	-	4,800
Interest	5,562	9,779	-	15,341
Miscellaneous	6,251	-	-	6,251
Total cash receipts	<u>219,277</u>	<u>53,297</u>	<u>2,128</u>	<u>274,702</u>
Cash disbursements:				
Current:				
Security of persons and property	62,500	-	-	62,500
Leisure time activities	-	13,174	-	13,174
Community environment	6,240	-	-	6,240
Transportation	-	21,534	-	21,534
General government	197,252	-	-	197,252
Capital outlay	24,431	-	4,892	29,323
Total cash disbursements	<u>290,423</u>	<u>34,708</u>	<u>4,892</u>	<u>330,023</u>
Total cash receipts (under) cash disbursements	<u>(71,146)</u>	<u>18,589</u>	<u>(2,764)</u>	<u>(55,321)</u>
Other financing receipts/(disbursements):				
Operating transfers in	-	13,000	-	13,000
Operating transfers out	(13,000)	-	-	(13,000)
Total other financing receipts/(disbursements)	<u>(13,000)</u>	<u>13,000</u>	<u>-</u>	<u>-</u>
Excess of cash receipts and other financing receipts (under) cash disbursements and other financing disbursements	(84,146)	31,589	(2,764)	(55,321)
Cash fund balances, January 1, 2006	<u>189,423</u>	<u>187,135</u>	<u>2,764</u>	<u>379,322</u>
Cash fund balances, December 31, 2006	<u>\$ 105,277</u>	<u>\$ 218,724</u>	<u>\$ -</u>	<u>\$ 324,001</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 141,293
Total operating cash receipts	141,293
Operating cash disbursements:	
Personal services	7,710
Contractual services	186,565
Supplies and material	66,904
Total operating cash disbursements	261,179
Operating (loss)	(119,886)
Nonoperating cash receipts/(disbursements):	
Proceeds of notes	63,903
Intergovernmental receipts	4,046
Miscellaneous	16,309
Interest receipts	4,535
Debt service:	
Interest	(12,420)
Capital outlay	(12,505)
Total nonoperating cash receipts/(disbursements)	63,868
Net income/(loss)	(56,018)
Cash fund balances, January 1, 2006	123,132
Cash fund balances, December 31, 2006	\$ 67,114

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2006

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2006 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2006 Appropriations	Total	Actual 2006 Disbursements	Encumbrances Outstanding at 12/31/06	Total	Variance Favorable (Unfavorable)
	Governmental:											
General	\$ 73,368	\$ 426,733	\$ 500,101	\$ 219,277	\$ (207,456)	\$ -	\$ 495,962	\$ 495,962	\$ 303,423	\$ -	\$ 303,423	\$ 192,539
Special Revenue	139,046	55,600	194,646	66,297	10,697	-	232,085	232,085	34,708	-	34,708	197,377
Capital Projects	-	-	-	2,128	\$ 2,128	-	4,893	4,893	4,892	-	4,892	1
Proprietary:												
Enterprise	103,475	683,878	787,353	230,086	(453,792)	-	316,300	316,300	286,104	-	286,104	30,196
Total												
(Memorandum Only)	\$ 315,889	\$ 1,166,211	\$ 1,482,100	\$ 517,788	\$ (648,423)	\$ -	\$ 1,049,240	\$ 1,049,240	\$ 629,127	\$ -	\$ 629,127	\$ 420,113

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:				
Local taxes	\$ 29,216	\$ -	\$ -	\$ 29,216
Municipal Income Tax	118,787	-	-	118,787
Intergovernmental	70,781	49,201	13,474	133,456
Charges for services	-	350	-	350
Fines, licenses, and permits	44,845	-	-	44,845
Interest	608	609	-	1,217
Donations and contributions	2,759	-	-	2,759
Total cash receipts	<u>266,996</u>	<u>50,160</u>	<u>13,474</u>	<u>330,630</u>
Cash disbursements:				
Current:				
Security of persons and property	46,743	-	-	46,743
Public health services	2,653	-	-	2,653
Leisure time activities	-	3,893	-	3,893
Community environment	11,432	-	-	11,432
Transportation	-	23,490	-	23,490
General government	178,460	-	-	178,460
Capital outlay	-	-	10,710	10,710
Total cash disbursements	<u>239,288</u>	<u>27,383</u>	<u>10,710</u>	<u>277,381</u>
Total cash receipts over/(under) cash disbursements	<u>27,708</u>	<u>22,777</u>	<u>2,764</u>	<u>53,249</u>
Other financing receipts/(disbursements):				
Operating transfers in	-	4,000	-	4,000
Operating transfers out	(4,000)	-	-	(4,000)
Total other financing receipts/(disbursements)	<u>(4,000)</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	23,708	26,777	2,764	53,249
Cash fund balances, January 1, 2005	<u>165,715</u>	<u>160,358</u>	<u>-</u>	<u>326,073</u>
Cash fund balances, December 31, 2005	<u>\$ 189,423</u>	<u>\$ 187,135</u>	<u>\$ 2,764</u>	<u>\$ 379,322</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 119,231
Total operating cash receipts	119,231
Operating cash disbursements:	
Contractual services	95,353
Supplies and material	10,143
Capital outlay	364,229
Total operating cash disbursements	469,725
Operating (loss)	(350,494)
Nonoperating cash receipts/(disbursements):	
Special assessments	22,879
Other miscellaneous	6,824
Interest Receipts	374
Proceeds of notes	350,000
Total nonoperating cash receipts/(disbursements)	380,077
Net income	29,583
Cash fund balances, January 1, 2005	93,549
Cash fund balances, December 31, 2005	\$ 123,132

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2005 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2005 Appropriations	Total	Actual 2005 Disbursements	Encumbrances Outstanding at 12/31/05	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 209,310	\$ 102,251	\$ 311,561	\$ 266,996	\$ 164,745	\$ -	\$ 494,039	\$ 494,039	\$ 243,288	\$ -	\$ 243,288	\$ 250,751
Special Revenue	143,170	45,775	188,945	54,160	8,385	-	261,897	261,897	27,383	-	27,383	234,514
Capital Projects	-	-	-	13,474	13,474	-	13,474	13,474	10,710	-	10,710	2,764
Proprietary:												
Enterprise	107,000	18,250	125,250	499,308	481,058	-	238,000	238,000	469,725	-	469,725	(231,725)
6 Total (Memorandum Only)	\$ 459,480	\$ 166,276	\$ 625,756	\$ 833,938	\$ 667,662	\$ -	\$ 1,007,410	\$ 1,007,410	\$ 751,106	\$ -	\$ 751,106	\$ 256,304

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Village of Galena, Delaware County, Ohio, (the "Village") is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, park operations and sewer utilities. The Village contracts with the Village of Sunbury Police Department to provide public services. The Village contracts with the B. S. T. & G. (Berkshire, Sunbury, Trenton, and Galena) Joint Fire District to provide fire protection services.

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

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

The most significant of the Village's accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

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

Governmental Fund Types

General Fund

The general fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

These funds are used to account for proceeds of specific revenue sources (other than from trusts or for capital projects) that are legally restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Projects fund:

*FEMA Fund* – This fund receives state and federal grants for the reconstruction of Village property due to emergencies.

Proprietary Fund Type

Enterprise Fund

This fund accounts for operations that are similar to private business enterprises where management intends that the significant cost of providing certain goods/services will be recovered through user charges. The Village had the following Enterprise fund:

*Sewer fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**B. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The primary level of budgetary control is at the item level. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. Delaware County waived this requirement for 2006 and 2005.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated

There were no outstanding encumbrances at December 31, 2006 and December 31, 2005.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$19,876 and \$1,591 for the years ended December 31, 2006 and 2005, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Village.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

G. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

H. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - COMPLIANCE**

- A. In noncompliance with Ohio Revised Code Section 5705.41(B), the following fund had expenditures exceeding appropriations for the year ended December 31, 2005:

<u>2005</u> <u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Sewer Operating	\$ 238,000	\$ 469,725	\$ 231,725

Disclosure is presented at the fund level due to the impracticality of disclosing at the item level.

- B. The Village did not properly certify expenses contrary to Ohio Revised Code Section 5704.41(D).

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 3 - COMPLIANCE - (Continued)**

C. The Village had appropriations exceeding estimated resources in noncompliance with Ohio Revised Code Section 5705.39 for the years ended December 31, 2006 and 2005 in the following funds:

<u>2006</u>			
<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds</u>			
Street Construction, Maintenance & Repair Fund	\$ 144,625	\$ 168,000	\$ 23,375
Parks & Recreation Fund	2,021	16,085	14,064
<u>Capital Projects Fund</u>			
FEMA	-	4,893	4,893
<u>2005</u>			
<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	311,561	494,039	182,478
<u>Special Revenue Funds</u>			
Street Construction, Maintenance & Repair Fund	132,250	165,000	32,750
Parks & Recreation Fund	4,220	47,600	43,380
FEMA	-	1,297	1,297
<u>Capital Projects Fund</u>			
FEMA	-	13,474	13,474
<u>Enterprise Fund</u>			
Sewer	125,250	238,000	112,750

**NOTE 4 - CASH AND CASH EQUIVALENTS**

The Village maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Deposits:		
Demand deposits	\$ 391,115	\$ 352,454
Certificate of deposits	-	150,000
Total Cash and Cash Equivalents	<u>\$ 391,115</u>	<u>\$ 502,454</u>

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 4 - CASH AND CASH EQUIVALENTS - (Continued)**

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**NOTE 5 - DEBT OBLIGATIONS**

At December 31, 2006 and 2005, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at 12/31/06</u>	<u>Balance at 12/31/05</u>
2005 Bond Anticipation Notes, due one year after the issuance, April 21, 2006, bearing an interest rate of 5.5% issued to the Delaware County Bank and Trust Company.	\$ -	\$ 350,000
2006 Bond Anticipation Notes, due one year after the issuance, April 21, 2007, bearing an interest rate of 5.19% issued to the Delaware County Bank and Trust Company.	350,000	-
2006 Ohio Water Development Authority (OWDA), Waste Water Treatment Plant Design Operating Revenue Notes, due in annual installments of varying amounts through 2012, bearing an interest rate at 4.99%.	<u>63,903</u>	<u>-</u>
Total	<u>\$ 413,903</u>	<u>\$ 350,000</u>

Transactions for the years ended December 31, 2006 and 2005 are summarized as follows:

<u>2006</u>	<u>Balance at 12/31/05</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/06</u>
2005/2006 Bond Anticipation Notes	\$ 350,000	\$ -	\$ -	\$ 350,000
2006 OWDA Notes	<u>-</u>	<u>63,903</u>	<u>-</u>	<u>63,903</u>
Total	<u>\$ 350,000</u>	<u>\$ 63,903</u>	<u>\$ -</u>	<u>\$ 413,903</u>

  

<u>2005</u>	<u>Balance at 01/01/05</u>	<u>Proceeds</u>	<u>Principal Retirement</u>	<u>Balance at 12/31/05</u>
2005 Bond Anticipation Notes	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>
Total	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 5 - DEBT OBLIGATIONS - (Continued)**

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2006 are as follows:

<u>Year Ending December 31,</u>	<u>2006 Bond Anticipation Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2007	<u>\$ 350,000</u>	<u>\$ 18,165</u>
Total	<u>\$ 350,000</u>	<u>\$ 18,165</u>

On May 4<sup>th</sup> 2006 the Village entered into an agreement with Delaware County Bank to modify its loan agreement for the 2005 Bond Anticipation Notes. The agreement extended the original maturity date of the notes from April 21, 2006 to April 21, 2007. The modification also changed the interest rate on the notes to 5.19%. The name of the notes changed from 2005 Bond Anticipation Notes to 2006 Bond Anticipation Notes. The Village was required to pay the accrued interest in the amount of \$12,420.

On April 20, 2006, Ohio Water Development Authority (OWDA) disbursements originated on the Wastewater Treatment Improvements Design Loan. At December 31, 2006, \$63,903 had been disbursed, including \$830 in capitalized interest. The loan is not yet finalized, thus, no amortization exists; however, the Village is required to make a principal payment in 2007 for \$10,400.

**NOTE 6 - TAXES**

- A. Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due on the following June 20.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 6 - TAXES - (Continued)**

Tangible personal property tax revenues received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 18.75% for 2006. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

**B. LOCAL INCOME TAX**

This locally levied tax of 1.00% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are accounted for in the general fund. The Regional Income Tax Agency (RITA) administers and collects income taxes for the Village. Payments, net of a 3% collection fee are remitted monthly for tax receipts received by RITA in the previous month. The Village collected \$140,964 and \$118,787 in 2006 and 2005, respectively, in income tax receipts.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 7 - RETIREMENT SYSTEM**

The Village's employees' belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OPERS members contributed 9% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.70% and 13.55% of participants' gross salaries, respectively. At December 31, 2006, the Village has paid all contributions required.

**NOTE 8 - INTERFUND TRANSACTIONS**

The Village had the following interfund transfers for the years ended December 31, 2006 and 2005:

<u>2006</u>		
<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 13,000
<u>SPECIAL REVENUE FUND:</u>		
Parks and Recreation	13,000	-
Total	<u>\$ 13,000</u>	<u>\$ 13,000</u>
<u>2005</u>		
<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 4,000
<u>SPECIAL REVENUE FUND:</u>		
Parks and Recreation	4,000	-
Total	<u>\$ 4,000</u>	<u>\$ 4,000</u>

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**NOTE 8 - INTERFUND TRANSACTIONS - (Continued)**

The transfers during the years ended December 31, 2006 and 2005 were made in accordance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 9 - RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (“Members”).

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

The Plan’s financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2006, and 2005:

	2006	2005
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	(3,329,620)	(2,748,639)
Retained earnings	\$ 6,290,528	\$ 5,470,791

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**NOTE 10 - CONTINGENT LIABILITIES**

The Village is not currently involved in litigation.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

**NOTE 11 - SUBSEQUENT EVENT**

- A. On April 19, 2007 the Village paid off its bond anticipation notes and issued Wastewater Improvement Note Series 2007 in the amount of \$350,000. The notes mature on April 19, 2008.
  
- B. On August 31, 2005, Fiscal Officer Shelia Miller resigned. On September 10, 2005 Stephanie Paese was appointed Fiscal Officer. Stephanie Paese resigned at the end of February, 2006. Marty Mazzie was appointed Fiscal Officer on March 20, 2006.



**Julian & Grube, Inc.**  
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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Members of Council and Mayor  
Village of Galena  
9 West Columbus Street  
P.O. Box 386  
Galena, Ohio 43201-0386

We have audited the financial statements of the Village of Galena, Delaware County, Ohio, as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated September 11, 2007, wherein we noted the Village of Galena followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 Village of Galena's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Galena's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Galena's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

Members of Council and Mayor  
Village of Galena

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination or control deficiencies, that adversely affects the Village of Galena's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Village of Galena's financial statements that is more than inconsequential will not be prevented or detected by the Village of Galena's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: 2006-VOG-005, 2006-VOG-006, 2006-VOG-008 and 2006-VOG-009.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Galena's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we consider items 2006-VOG-008 and 2006-VOG-009 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Galena financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 such an opinion. The results of our tests disclosed five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2006-VOG-001 through 2006-VOG-004 and 2006-VOG-007.

We also noted certain matters that we reported to management of the Village of Galena in a separate letter dated September 11, 2007.

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

Members of Council and Mayor  
Village of Galena

This report is intended solely for the information and use of the management and the Council of the Village of Galena, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
September 11, 2007

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2006-VOG-001

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The Village had expenditures exceeding appropriations in the following fund for the year ended December 31, 2005:

2005

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Sewer Operating	\$ 238,000	\$ 469,725	\$ 231,725

Disclosure is presented at the fund level due to the impracticality of disclosing at the item level.

With expenditures exceeding appropriations, the Village is expending monies that have not been appropriated and approved by the Village Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

*Client Response:* The Village Fiscal Officer is attempting to monitor its budget more closely and to increase its appropriations as needed.

Finding Number	2006-VOG-002
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Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

For the year ended December 31, 2006, 76 out of 124 expenditures tested were not certified in a timely manner and 48 out of 64 expenditures tested were not certified in a timely manner for the year ended December 31, 2005.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOG-002 - (Continued)

Without timely certification, the Village may expend more funds than available in the Treasury, in the process of collection or then funds appropriated. It may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money to be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Council and distributed at least annually may be beneficial. The Village should consider using the “Then” and “Now” certificates where applicable.

Client Response: The Village Fiscal Officer is attempting to create and utilize the purchase order system.

Finding Number	2006-VOG-003
----------------	--------------

Ohio Revised Code Section 5705.38 requires local governments to file an appropriation measure on or about the first day of the year. An entity has the option to postpone the permanent appropriation until April 1<sup>st</sup>; however, a temporary measure must be passed.

The Village could not provide evidence of any approved temporary appropriations for 2006 and 2005. Permanent appropriations were passed subsequent to January 1 for the years ended December 31, 2006 and 2005.

The Village is not able to effectively budget, nor legally spend monies without an appropriation measure (temporary or permanent) in place.

We recommend the Village prepare a tickler file to ensure appropriation measures are passed in a timely manner. We further recommend that the Village Council consider approving temporary appropriations if it is anticipated that approved permanent appropriations will be delayed until April 1<sup>st</sup>.

Client Response: The Village will properly evidence passage of temporary appropriations in Council minutes.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOG-004

Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more expenditures than estimated resources.

For the years ended December 31, 2006 and 2005, the Village had appropriations exceeding estimated resources in the following funds:

2006

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds</u>			
Street Construction, Maintenance & Repair Fund	\$ 144,625	\$ 168,000	\$ 23,375
Parks & Recreation Fund	2,021	16,085	14,064
<u>Capital Projects Fund</u>			
FEMA	-	4,893	4,893

2005

<u>Fund Type/Fund</u>	<u>Resources</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	311,561	494,039	182,478
<u>Special Revenue Funds</u>			
Street Construction, Maintenance & Repair Fund	132,250	165,000	32,750
Parks & Recreation Fund	4,220	47,600	43,380
FEMA	-	1,297	1,297
<u>Capital Projects Fund</u>			
FEMA	-	13,474	13,474
<u>Enterprise Fund</u>			
Sewer	125,250	238,000	112,750

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOG-004 - (Continued)

We recommend that the Village Fiscal Officer comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

*Client Response:* The Fiscal Officer is attempting to monitor its budget more closely and to submit additional amendments for estimated resources or reduce its appropriations as necessary.

Finding Number	2006-VOG-005
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**Significant Deficiency**

The bank statement and fund balances were not reconciled monthly to zero or to an easily identifiable difference.

It is important to properly reconcile bank statements monthly to easily identify discrepancies in cash and the Village records and to ensure all amounts are properly recorded.

At December 31, 2006 and 2005, there were “other adjusting factors” totaling \$2,117.11 and \$(2,641.77), respectively, which were unidentifiable. The Village performed its own re-reconciliation and determined it would not be cost effective to investigate the difference of \$(2,641.77) further. In 2007 Council approved to record the \$2,641.77 in the General fund miscellaneous receipts.

We recommend that the bank account be reconciled monthly to the Village UAN system and that all reconciling items be promptly investigated and adjusted, if necessary with adequate explanations and approval by the Council. We further recommend that the Village review and sign off on all monthly bank reconciliations and supporting documentation timely. This will help ensure proper fund balances. We further recommend the Village consider obtaining a periodic review of transactions recorded and bank reconciliations prior to year end close by a responsible fiscal person. This will help ensure any discrepancies found can be corrected and thus help facilitate more accurate financial reporting.

*Client Response:* The Village currently reconciles to a zero balance or identifiable amount. The Village Council will attempt to review the monthly bank reconciliations in a timely manner.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOG-006

Significant Deficiency

Record Storage and Retrieval

Accounting records frequently could not be located when needed. The causes of the problem were numerous:

- Lack of a clearly specified system for filing records
- Failure of those who removed records from the files to indicate who took the record
- Failure to return the record to the files or misfiling it when it was returned
- Lack of specific policies for removing prior year records from the files to a designated storage space

The result was that employees spent nonproductive time searching for needed documents. The condition could also present problems when auditors or government agencies need documentations in support of tax returns and other reports subject to audit. We recommend the following steps be taken:

- Decide on a systematic manner of filing documents, e.g., monthly folders consisting of vendor bills filed in numeric order, receipts filed in numeric order, all approved bank statements and reconciliations with all attached supporting documentation, etc.
- Describe the system in the accounting manual or post a description on the filing cabinets or storage room so employees will know how to find and refile documents
- Institute use of sign-out cards to be filled out when a document is removed from a file, showing who took the record.
- Establish a policy in accordance with the Ohio Revised Code specifying which records should be retained permanently, which records should be kept only for a given period before being destroyed, and how long the period of time should be for the various documents' termination.
- Decide when unneeded records should be removed to other storage areas to create room for needed records.
- Assign personnel the responsibility of periodically cleaning out the files in accordance with the established policy.

Implementation and communication of the above will enable the Village to operate more effectively and efficiently.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOG-006 - (Continued)

*Client Response:* The Village is currently working on correcting and improving their storage and retrieval procedures.

Finding Number	2006-VOG-007
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Ohio Revised Code Sections 135.21, 135.351 and 5705.10 maintain various requirements regarding the allocation of interest among funds. As a general rule, interest earned must be credited to the general fund of the subdivision with some exceptions; including, but not limited to, interest derived from a motor vehicle license or fuel tax must follow the principal.

For the years ended December 31, 2006 and 2005 the Village did not allocate interest earned to the Street Construction, Maintenance and Repair, State Highway and Sewer Operating Funds as required. Audited financial statements were adjusted to properly record interest earned in the financial statements.

The Village is not accurately reflecting its various fund balances by not allocating interest earnings to the required funds.

We recommend that the Village properly record interest earnings in the required funds according to the requirements above. The amount of the allocation should be calculated and documented on a monthly basis by a method prescribed by the Auditor of State's office.

*Client Response:* The new Fiscal Officer is aware of the requirement and understands the method of calculation and will allocate interest earnings properly for 2007.

Finding Number	2006-VOG-008
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**Significant Deficiency/Material Weakness**

Based upon the results of observations made during our audit, we noted the Village had receipts and disbursements that were posted incorrectly in accordance with the Village handbook and the Ohio Revised Code.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOG-008 - (Continued)

In general, an accounting and information system should be designed to provide management with accurate and timely financial information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

The following adjustments were necessary to properly state the Village's financial statements:

2006 and 2005

- A. The Village did not allocate interest to its funds as required by the Ohio Revised Code; as a result, the following adjustments were necessary:

2006

<u>Fund Type/Fund</u>	<u>Increase/(Decrease)</u>	<u>Amount</u>
General Fund	(Decrease)	\$ (13,614)
 <u>Special Revenue Funds</u>		
Street Construction, Maintenance & Repair Fund	Increase	7,670
State Highway	Increase	2,109
 <u>Enterprise Fund</u>		
Sewer	Increase	3,835

2005

<u>Fund Type/Fund</u>	<u>Increase/(Decrease)</u>	<u>Amount</u>
General Fund	(Decrease)	(840)
 <u>Special Revenue Funds</u>		
Street Construction, Maintenance & Repair Fund	Increase	412
State Highway	Increase	85
 <u>Enterprise Fund</u>		
Sewer	Increase	343

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOG-008 - (Continued)

B. The Village did not properly record real estate revenue in the General fund, as indicated on the County tax settlement statements. Funds were recorded improperly in the Sewer fund; as a result, the following adjustment was necessary.

<u>2005</u>		
<u>Fund Type/Fund</u>	<u>Increase/(Decrease)</u>	<u>Amount</u>
General	Increase	\$ 12,267
<u>Enterprise Fund</u>		
Sewer	(Decrease)	(12,267)

We strongly suggest that the Village consider creating an accounting and information environment that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Village in the future. This may require and be achieved by additional training for the Fiscal Officer.

*Client Response:* The Village hired a new Fiscal Officer who is making great strides in creating a sound fiscal environment for the Village.

Finding Number	2006-VOG-009
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Significant Deficiency/Material Weakness

The Village maintained a cash account that is used to collect utility deposits at a third party location. These amounts at December 31, 2006 and 2005 were not accurately reflected on the Village's UAN system.

In general, the Village's financial statements should include all cash accounts to help ensure proper reporting and fund balances.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF FINDINGS AND RESPONSES**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2006-VOG-009 - (Continued)

As a result, the following audit adjustments were necessary:

<u>2006</u>		
<u>Fund Type/Fund</u>	<u>Increase/(Decrease)</u>	<u>Amount</u>
<u>Enterprise Fund</u>		
Sewer	Increase	\$ 47,943
 <u>2005</u>		
<u>Fund Type/Fund</u>		
<u>Enterprise Fund</u>		
Sewer	Increase	34,935

We strongly suggest that the Village consider creating an accounting and information environment that will facilitate the production of accurate financial information and related preparation of financial statements and provide for accountability of assets and the maintenance of an accurate historical record of operations. Accounting and financial information is the language of business and must be properly assessed and comprehended to allow for management to guide and direct the Village in the future. This may require and be achieved by additional training for the Fiscal Officer.

Client Response: The new Fiscal Officer currently maintains all cash accounts.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2006 AND 2005**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b><i>Finding Summary</i></b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-VOG-001	ORC Sec. 5705.39 Appropriations from each fund shall not exceed the total estimated resources as certified by the county budget commission.	No	Finding repeated as 2006-VOG-004.
2004-VOG-002	ORC Sec 5705.41(D) No subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.	No	Finding repeated as 2006-VOG-002.



**Mary Taylor, CPA**  
Auditor of State

**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  
NOVEMBER 15, 2007**