

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Years Ended
December 31, 2008 and 2007

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, 2007 through December 31, 2008. 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

May 4, 2009

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**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report..... | 1 - 2 |
| Combined Statement of Cash Fund Balances - All Fund Types - December 31, 2008 and 2007 | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types - For The Year Ended December 31, 2008 | 4 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balance - Proprietary Fund Type- For The Year Ended December 31, 2008 | 5 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2008 | 6 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types - For The Year Ended December 31, 2007 | 7 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balance - Proprietary Fund Type - For The Year Ended December 31, 2007 | 8 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2007 | 9 |
| Notes to the Financial Statements..... | 10 - 20 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 21 - 22 |
| Schedule of Findings and Responses..... | 23 - 28 |
| Schedule of Prior Audit Findings | 29 - 30 |



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, Ohio, (the "Village") as of and for the years ended December 31, 2008 and 2007. 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, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for December 31, 2008 and 2007. 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.

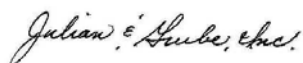
Independent Auditor's Report
Village of Galena
Page 2

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, 2008 and 2007 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, 2008 and 2007, 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, Ohio, as of and for the years ended December 31, 2008 and 2007, and its combined cash receipts and cash 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, 2008 and 2007. 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 March 27, 2009, on our consideration of the Village of Galena's internal control over financial reporting and on 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.
March 27, 2009

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES
ALL FUND TYPES
DECEMBER 31, 2008 AND 2007

| <u>Cash and Cash Equivalents</u> | <u>2008</u> | <u>2007</u> |
|-----------------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 500,693 | \$ 865,352 |
| Total Cash and Cash Equivalents | <u>\$ 500,693</u> | <u>\$ 865,352</u> |
| <u>Cash Fund Balances</u> | | |
| <u>Governmental Fund Types:</u> | | |
| General | \$ 173,925 | \$ 121,388 |
| Special Revenue | <u>201,835</u> | <u>206,493</u> |
| Total Governmental Funds | <u>375,760</u> | <u>327,881</u> |
| <u>Proprietary Fund Type:</u> | | |
| Enterprise | <u>124,933</u> | <u>537,471</u> |
| Total Fund Balances | <u>\$ 500,693</u> | <u>\$ 865,352</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, 2008**

| | Governmental Fund Types | | | Total (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash receipts: | | | | |
| Local taxes | \$ 62,324 | \$ - | \$ - | \$ 62,324 |
| Municipal income tax | 249,707 | - | - | 249,707 |
| Intergovernmental | 16,384 | 94,407 | - | 110,791 |
| Charges for services | - | 28 | - | 28 |
| Fines, licenses, and permits | 2,680 | - | - | 2,680 |
| Interest | 7,996 | 4,430 | - | 12,426 |
| Miscellaneous | 36,742 | 70 | - | 36,812 |
| Total cash receipts | <u>375,833</u> | <u>98,935</u> | <u>-</u> | <u>474,768</u> |
| Cash disbursements: | | | | |
| Current: | | | | |
| Security of persons and property | 73,750 | - | - | 73,750 |
| Leisure time activities | 3,008 | - | - | 3,008 |
| Community environment | 9,078 | - | - | 9,078 |
| Transportation | - | 56,361 | - | 56,361 |
| General government | 237,692 | - | 5,708 | 243,400 |
| Capital outlay | - | 47,000 | - | 47,000 |
| Debt service: | | | | |
| Principal retirement | - | - | 289,000 | 289,000 |
| Interest and fiscal charges | - | - | 17,292 | 17,292 |
| Total cash disbursements | <u>323,528</u> | <u>103,361</u> | <u>312,000</u> | <u>738,889</u> |
| Total cash receipts over/(under) cash disbursements | <u>52,305</u> | <u>(4,426)</u> | <u>(312,000)</u> | <u>(264,121)</u> |
| Other financing receipts/(disbursements): | | | | |
| Proceeds from sale of notes | - | - | 312,000 | 312,000 |
| Operating transfers in | 232 | - | - | 232 |
| Operating transfers out | - | (232) | - | (232) |
| Total other financing receipts/(disbursements) | <u>232</u> | <u>(232)</u> | <u>312,000</u> | <u>312,000</u> |
| Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements | 52,537 | (4,658) | - | 47,879 |
| Cash fund balances, January 1, 2008 | <u>121,388</u> | <u>206,493</u> | <u>-</u> | <u>327,881</u> |
| Cash fund balances, December 31, 2008 | <u>\$ 173,925</u> | <u>\$ 201,835</u> | <u>\$ -</u> | <u>\$ 375,760</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 BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Proprietary Fund Type |
|--|--------------------------|
| | Enterprise |
| Operating cash receipts: | |
| Charges for services | \$ 169,321 |
| Total operating cash receipts | 169,321 |
| Operating cash disbursements: | |
| Personal services | 24,399 |
| Employee fringe benefits | 4,994 |
| Contractual services | 62,668 |
| Supplies and material | 40,699 |
| Total operating cash disbursements | 132,760 |
| Operating income | 36,561 |
| Nonoperating cash receipts/(disbursements): | |
| Proceeds of notes | 360,804 |
| Interest receipts | 7,014 |
| Debt service: | |
| Principal | (770,800) |
| Interest | (46,117) |
| Total nonoperating cash receipts/(disbursements) | (449,099) |
| Net (loss) | (412,538) |
| Cash fund balance, January 1, 2008 | 537,471 |
| Cash fund balance, December 31, 2008 | \$ 124,933 |

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, 2008

| Fund Types | Receipts | | | | | Disbursements | | | | | Variance Favorable (Unfavorable) | |
|-------------------------|------------------------------------|--------------|---------------------------|----------------------|----------------------------------|-------------------------------------|---------------------|--------------|---------------------------|--------------------------------------|----------------------------------|------------|
| | County Certified Unencumbered Cash | Budget | Total Estimated Resources | Actual 2008 Receipts | Variance Favorable (Unfavorable) | Prior Year Carryover Appropriations | 2008 Appropriations | Total | Actual 2008 Disbursements | Encumbrances Outstanding at 12/31/08 | | Total |
| Governmental: | | | | | | | | | | | | |
| General | \$ 140,978 | \$ 292,674 | \$ 433,652 | \$ 376,065 | \$ 83,391 | \$ - | \$ 417,138 | \$ 417,138 | \$ 323,528 | \$ - | \$ 323,528 | \$ 93,610 |
| Special Revenue | 187,662 | 75,800 | 263,462 | 98,935 | 23,135 | - | 205,000 | 205,000 | 103,593 | - | 103,593 | 101,407 |
| Capital Projects | - | 312,000 | 312,000 | 312,000 | - | - | 312,000 | 312,000 | 312,000 | - | 312,000 | - |
| Proprietary: | | | | | | | | | | | | |
| Enterprise | 619,110 | 466,000 | 1,085,110 | 537,139 | 71,139 | - | 1,011,759 | 1,011,759 | 949,677 | - | 949,677 | 62,082 |
| Total (Memorandum Only) | \$ 947,750 | \$ 1,146,474 | \$ 2,094,224 | \$ 1,324,139 | \$ 177,665 | \$ - | \$ 1,945,897 | \$ 1,945,897 | \$ 1,688,798 | \$ - | \$ 1,688,798 | \$ 257,099 |

**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, 2007

| | Governmental Fund Types | | | Total (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|-------------------------------|
| | General | Special Revenue | Capital Projects | |
| Cash receipts: | | | | |
| Local taxes | \$ 42,902 | \$ - | \$ - | \$ 42,902 |
| Municipal income tax | 196,910 | - | - | 196,910 |
| Intergovernmental | 34,566 | 37,481 | - | 72,047 |
| Charges for services | - | 328 | - | 328 |
| Fines, licenses, and permits | 2,499 | - | - | 2,499 |
| Interest | 15,803 | 10,087 | - | 25,890 |
| Miscellaneous | 18,375 | 349 | - | 18,724 |
| Total cash receipts | <u>311,055</u> | <u>48,245</u> | <u>-</u> | <u>359,300</u> |
| Cash disbursements: | | | | |
| Current: | | | | |
| Security of persons and property | 70,750 | - | - | 70,750 |
| Leisure time activities | - | 6,744 | - | 6,744 |
| Community environment | 6,881 | - | - | 6,881 |
| Transportation | - | 52,065 | - | 52,065 |
| General government | 218,980 | - | 6,000 | 224,980 |
| Capital outlay | - | - | 283,000 | 283,000 |
| Total cash disbursements | <u>296,611</u> | <u>58,809</u> | <u>289,000</u> | <u>644,420</u> |
| Total cash receipts over/(under) cash disbursements | <u>14,444</u> | <u>(10,564)</u> | <u>(289,000)</u> | <u>(285,120)</u> |
| Other financing receipts/(disbursements): | | | | |
| Proceeds from sale of notes | - | - | 289,000 | 289,000 |
| Operating transfers in | 1,667 | - | - | 1,667 |
| Operating transfers out | - | (1,667) | - | (1,667) |
| Total other financing receipts/(disbursements) | <u>1,667</u> | <u>(1,667)</u> | <u>289,000</u> | <u>289,000</u> |
| Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements | 16,111 | (12,231) | - | 3,880 |
| Cash fund balances, January 1, 2007 | <u>105,277</u> | <u>218,724</u> | <u>-</u> | <u>324,001</u> |
| Cash fund balances, December 31, 2007 | <u>\$ 121,388</u> | <u>\$ 206,493</u> | <u>\$ -</u> | <u>\$ 327,881</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 BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007

| | Proprietary Fund Type |
|--|--------------------------|
| | Enterprise |
| Operating cash receipts: | |
| Charges for services | \$ 246,704 |
| Total operating cash receipts | 246,704 |
| Operating cash disbursements: | |
| Personal services | 7,600 |
| Contractual services | 81,831 |
| Supplies and material | 60,349 |
| Capital outlay | 175,509 |
| Total operating cash disbursements | 325,289 |
| Operating (loss) | (78,585) |
| Nonoperating cash receipts/(disbursements): | |
| Special assessments | 4,017 |
| Interest receipts | 4,874 |
| Proceeds of bonds | 400,000 |
| Proceeds of notes | 538,611 |
| Debt service: | |
| Principal | (370,800) |
| Interest | (27,760) |
| Total nonoperating cash receipts/(disbursements) | 548,942 |
| Net income | 470,357 |
| Cash fund balance, January 1, 2007 | 67,114 |
| Cash fund balance, December 31, 2007 | \$ 537,471 |

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, 2007

| Fund Types | Receipts | | | | Disbursements | | | | Variance Favorable (Unfavorable) | | | |
|-------------------------|------------------------------------|--------------|---------------------------|----------------------|----------------------------------|-------------------------------------|---------------------|--------------|----------------------------------|---------------------------|--------------------------------------|------------|
| | County Certified Unencumbered Cash | Budget | Total Estimated Resources | Actual 2007 Receipts | Variance Favorable (Unfavorable) | Prior Year Carryover Appropriations | 2007 Appropriations | Total | | Actual 2007 Disbursements | Encumbrances Outstanding at 12/31/07 | Total |
| Governmental: | | | | | | | | | | | | |
| General | \$ 105,777 | \$ 308,550 | \$ 414,327 | \$ 312,722 | \$ 4,172 | \$ - | \$ 405,174 | \$ 405,174 | \$ 296,611 | \$ - | \$ 296,611 | \$ 108,563 |
| Special Revenue | 206,780 | 56,519 | 263,299 | 48,245 | (8,274) | - | 226,907 | 226,907 | 60,476 | - | 60,476 | 166,431 |
| Capital Projects | - | 289,000 | 289,000 | 289,000 | - | - | 289,000 | 289,000 | 289,000 | - | 289,000 | - |
| Proprietary: | | | | | | | | | | | | |
| Enterprise | 78,555 | 983,001 | 1,061,556 | 1,194,206 | 211,205 | - | 871,522 | 871,522 | 723,849 | - | 723,849 | 147,673 |
| Total (Memorandum Only) | \$ 391,112 | \$ 1,637,070 | \$ 2,028,182 | \$ 1,844,173 | \$ 207,103 | \$ - | \$ 1,792,603 | \$ 1,792,603 | \$ 1,369,936 | \$ - | \$ 1,369,936 | \$ 422,667 |

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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 police 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's 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 Funds

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 Funds:

Street Construction, Maintenance & Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets (2008 and 2007).

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

Park State Grant Fund - This fund receives grant proceeds to contribute to upgrades of the Ohio to Erie Trail (2008).

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:

Municipal Building Fund - This fund receives note proceeds to finance the repayment of previous notes issued to purchase the future municipal building (2008 and 2007).

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 and note proceeds for the improvements to the Waste Water Treatment plant (2008 and 2007).

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, 2008 AND 2007

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 2008 and 2007.

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, 2008 AND 2007

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, 2008 and December 31, 2007.

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 \$19,440 and \$30,764 for the years ended December 31, 2008 and 2007, 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, 2008 AND 2007

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. The Village did not properly allocate interest among funds as required by Ohio Revised Code Sections 135.21, 135.351 and 5705.10 during the years ended December 31, 2008 and 2007.
- B. The Village did not approve its permanent appropriations for the year ended December 31, 2007 until July 23, 2007 in noncompliance with Ohio Revised Code Section 5705.38.
- C. The Village had expenditures in excess of appropriations in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40 during the year ended December 31, 2007.
- D. The Village did not properly certify expenses contrary to Ohio Revised Code Section 5705.41(D) during the years ended December 31, 2008 and 2007.
- E. The Village did not certify the proper audited fund balances in accordance with Ohio Revised Code Section 5705.36 at December 31, 2006 for 2007 and December 31, 2007 for 2008.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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>2008</u> | <u>2007</u> |
|---------------------------------|-------------------|-------------------|
| Deposits: | | |
| Demand deposits | \$ 374,693 | \$ 865,352 |
| Certificate of deposit | <u>126,000</u> | <u>-</u> |
| Total Cash and Cash Equivalents | <u>\$ 500,693</u> | <u>\$ 865,352</u> |

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, 2008 and 2007, debt obligations consisted of the following issuances:

| <u>Description</u> | <u>Balance at 12/31/08</u> | <u>Balance at 12/31/07</u> |
|--|--------------------------------|--------------------------------|
| 2008 Municipal Building Acquisition Notes, issued on March 6, 2008, due on March 5, 2009, bearing an interest rate of 6.0%. | \$ 312,000 | \$ - |
| 2008 Waste Water Improvement Notes, issued on April 17, 2008, due on April 16, 2009, bearing an interest rate of 4.25%. | 350,000 | - |
| 2007 Municipal Building Acquisition Notes, issued on March 8, 2007, due on March 6, 2008, bearing an interest rate of 6.00%. | - | 289,000 |
| 2007 Waste Water Improvement Notes, issued on April 19, 2007, due on April 19, 2008, bearing an interest rate of 5.49%. | - | 350,000 |
| 2007 Sewer System Facilities Notes, issued on July 9, 2007, due on July 9, 2008, bearing an interest rate of 3.90%. | - | 400,000 |
| 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>221,718</u> | <u>231,714</u> |
| Total debt obligations at, December 31 | <u>\$ 883,718</u> | <u>\$ 1,270,714</u> |

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 5 - DEBT OBLIGATIONS - (Continued)

Transactions for the years ended December 31, 2008 and 2007 are summarized as follows:

| <u>2008</u> | Balance at <u>01/01/08</u> | Proceeds | Principal Retirement | Balance at 12/31/08 |
|---|-------------------------------|-----------------------|---------------------------|------------------------|
| 2008 Municipal Building Acquisition Notes | \$ - | \$ 312,000 | \$ - | \$ 312,000 |
| 2008 Waste Water Improvement Bonds | - | 350,000 | - | 350,000 |
| 2007 Bond Anticipation Notes | 289,000 | - | (289,000) | - |
| 2007 Sewer System Facilities Notes | 400,000 | - | (400,000) | - |
| 2007 Waste Water Improvement Notes | 350,000 | - | (350,000) | - |
| 2006 OWDA Notes | <u>231,714</u> | <u>10,804</u> | <u>(20,800)</u> | <u>221,718</u> |
| Total | <u>\$ 1,270,714</u> | <u>\$ 672,804</u> | <u>\$ (1,059,800)</u> | <u>\$ 883,718</u> |

| <u>2007</u> | Balance at <u>01/01/07</u> | Proceeds | Principal Retirement | Balance at 12/31/07 |
|------------------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|
| 2007 Bond Anticipation Notes | \$ - | \$ 289,000 | \$ - | \$ 289,000 |
| 2007 Sewer System Facilities Notes | - | 400,000 | - | 400,000 |
| 2007 Waste Water Improvement Notes | - | 350,000 | - | 350,000 |
| 2005/2006 Bond Anticipation Notes | 350,000 | - | (350,000) | - |
| 2006 OWDA Notes | <u>63,903</u> | <u>188,611</u> | <u>(20,800)</u> | <u>231,714</u> |
| Total | <u>\$ 413,903</u> | <u>\$ 1,227,611</u> | <u>\$ (370,800)</u> | <u>\$ 1,270,714</u> |

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2008 are as follows:

| <u>Year Ending December 31,</u> | <u>2008 Municipal Building Acquisition Note</u> | | <u>2008 Wastewater Improvement Bonds</u> | |
|-------------------------------------|---|------------------|--|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2009 | <u>\$ 312,000</u> | <u>\$ 18,720</u> | <u>\$ 350,000</u> | <u>\$ 14,834</u> |
| Total | <u>\$ 312,000</u> | <u>\$ 18,720</u> | <u>\$ 350,000</u> | <u>\$ 14,834</u> |

On April 20, 2006, Ohio Water Development Authority (OWDA) disbursements originated on the Wastewater Treatment Improvements Design Loan. At December 31, 2008, \$221,718 had been disbursed, including \$20,978 in capitalized interest. The loan is not yet finalized, thus, no amortization exists; however, the Village is required to make semi-annual principal payments in 2009 in the amount \$10,400.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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.

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.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 6 - TAXES - (Continued)

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 \$249,707 and \$196,910 in 2008 and 2007, respectively, in income tax receipts.

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 2008 and 2007, OPERS members contributed 10% and 9.5% of their gross salaries, respectively. The Village contributed an amount equal to 14.0% and 13.85% of participants' gross salaries, respectively. At December 31, 2008, the Village has paid all contributions required.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 8 - INTERFUND TRANSACTIONS

The Village had the following interfund transfers for the years ended December 31, 2008 and 2007:

| <u>2008</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------------|---------------------|----------------------|
| <u>Fund Type/Fund</u> | | |
| General Fund | \$ 282 | \$ - |
| <u>Special Revenue Fund Type:</u> | | |
| Parks and Recreation | - | 282 |
| <u>2007</u> | | |
| <u>Fund Type/Fund</u> | | |
| General Fund | 1,667 | - |
| <u>Special Revenue Fund Type:</u> | | |
| Drug Law Enforcement | - | 1,667 |
| Total | <u>\$ 1,949</u> | <u>\$ 1,949</u> |

The Village transfers in the years ended December 31, 2008 and 2007 were to close defunct funds.

The transfers during the years ended December 31, 2008 and 2007 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.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 9 - RISK MANAGEMENT - (Continued)

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, 2007 and 2006 (the latest information available):

| | 2007 | 2006 |
|-------------------|---------------|--------------|
| Assets | \$ 11,136,455 | \$ 9,620,148 |
| Liabilities | (4,273,553) | (3,329,620) |
| Retained earnings | \$ 6,862,902 | \$ 6,290,528 |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

NOTE 10 - MISCELLANEOUS RECEIPTS

Miscellaneous receipts in 2007 in the general fund consists primarily of rental income receipts in the amount of \$16,167 from the rental Village property.

Miscellaneous receipts in 2008 in the general fund consists primarily of rental income \$8,490, reimbursements for inspection services \$17,778 and reimbursements for wind damage \$6,638.

NOTE 11 - CONTINGENT LIABILITIES

The Village is not currently involved in litigation.

NOTE 12 - SUBSEQUENT EVENTS

On March 5, 2009 and April 16, 2009, the Village paid off its 2008 Municipal Building Acquisition Notes and 2008 Wastewater Improvement Bonds, respectively, and issued combined Ohio Various Purpose Notes, Series, 2009 in the amount of \$680,000, maturing March 4, 2010 with a 2.5% interest rate.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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, 2008 and 2007, and have issued our report thereon dated March 27, 2009, 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting: 2008-VOG-001.

Members of Council and Mayor
Village of Galena

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.

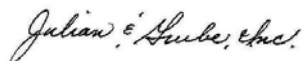
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we consider item 2008-VOG-001 to be a material weakness.

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 six 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 2008-VOG-002 through 2008-VOG-007.

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.

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.



Julian & Grube, Inc.
March 27, 2009

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF FINDINGS AND RESPONSES

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

| | |
|----------------|--------------|
| Finding Number | 2008-VOG-001 |
|----------------|--------------|

Significant Deficiency/Material Weakness

The Village had receipts and disbursements that were posted incorrectly in accordance with the Village handbook and the Ohio Revised Code.

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

General Fund: Decrease of fund balance in the amount of \$31,275 due to misposting of Gas and License Tax, sewer assessments and permissive tax receipts. In addition, interest receipts were not properly allocated as required.

Street Construction, Maintenance and Repair Fund: Increase fund balance in the amount of \$17,470 due to misposting of Gas and License Tax and Permissive Tax receipts. In addition, interest receipts were not allocated properly as required.

State Highway Fund: Increase fund balance in the amount of \$5,860 due to misposting of Gas and License Tax and Permissive Tax receipts. In addition, interest receipts were not allocated properly as required.

Sewer Fund: Increase in fund balance in the amount of \$7,945 due to misposting of sewer assessments receipts and interest receipts were not allocated properly as required.

In addition, the Village reissued/paid off various debt issues during 2007 and 2008 and the transactions were not properly grossed up on the Village's financial statements.

The audited financial statements have been adjusted for the above misstatements.

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.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF FINDINGS AND RESPONSES

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

| | |
|----------------|----------------------------|
| Finding Number | 2008-VOG-001 - (Continued) |
|----------------|----------------------------|

We recommend the Village consult local government services, the Village Handbook and the Ohio Municipal League and consider obtaining an overall review of the financial statements and notes prior to submitting to the auditor as an additional internal control to help ensure accurate financial statements throughout the year and at year-end. This will help ensure accurate financial reporting for the Village Council to aid in planning.

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 | 2008-VOG-002 |
|----------------|--------------|

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, 2008 and 2007 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 2009.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF FINDINGS AND RESPONSES

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

| | |
|----------------|--------------|
| Finding Number | 2008-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 1st; however, a temporary measure must be passed.

The Village did not pass permanent appropriations for the year ended December 31, 2007 until July 2007.

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 1st.

Client Response: The Village did properly evidence the passage of permanent and temporary appropriations in the Council minutes in 2008.

| | |
|----------------|--------------|
| Finding Number | 2008-VOG-004 |
|----------------|--------------|

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

Expenditures exceeded appropriations in certain funds during 2007 due to the Village not timely or properly approving permanent appropriations and not modifying appropriations until the end of 2007.

By not timely and properly modifying the Village's appropriations, the Village is not adequately monitoring appropriations versus expenditures. With expenditures exceeding appropriations, overspending may occur which may result in a negative fund balance.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF FINDINGS AND RESPONSES

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

| | |
|----------------|----------------------------|
| Finding Number | 2008-VOG-004 - (Continued) |
|----------------|----------------------------|

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

Client Response: Fiscal year 2008 annual appropriations were approved and modified and monitored for compliance.

| | |
|----------------|--------------|
| Finding Number | 2008-VOG-005 |
|----------------|--------------|

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 all funds during the year ended December 31, 2007 due to not passing the permanent appropriations until July 2007.

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 Council is approving appropriations by the required deadline.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF FINDINGS AND RESPONSES

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

| | |
|----------------|--------------|
| Finding Number | 2008-VOG-006 |
|----------------|--------------|

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, 2008, 16% of expenditures tested were not certified in a timely manner and 68% of expenditures tested were not certified in a timely manner for the year ended December 31, 2007.

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 | 2008-VOG-007 |
|----------------|--------------|

Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village certified certain fund balances that did not agree to audited financial statements amounts at December 31, 2006 and 2007.

The Village is not accurately reflecting its various fund balances to the County Auditor for proper certification.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF FINDINGS AND RESPONSES

| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|--|----------------------------|
| Finding Number | 2008-VOG-007 - (Continued) |

We recommend that the Village consult the Ohio Compliance Supplement and its auditors to ensure that Village fund balances agree to audited reports. This will enable the County Auditor to perform the proper certification with accurate information. This will in turn allow the Village to properly appropriate funds within the available resources.

Client Response: The Village Fiscal Officer will adjust balances to agree to the audit report and recertify its January 1, 2009 balances to the County to prevent this in 2009.

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF PRIOR AUDIT FINDINGS

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|---|-------------------------|--|
| 2006-VOG-001 | ORC Sec. 5705.41(B) Expenditures from each fund shall not exceed the appropriations. | No | Finding repeated as 2008-VOG-005. |
| 2006-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 2008-VOG-006. |
| 2006-VOG-003 | ORC Sec 5705.38 Requirement to approve permanent appropriations by April 1 of each year. | No | Finding repeated as 2008-VOG-003. |
| 2006-VOG-004 | ORC Sec 5705.39 No subdivision shall appropriate more expenditures than estimated resources. | Yes | N/A |
| 2006-VOG-005 | Significant Deficiency: bank statements and fund balances were not reconciled monthly to zero or to an easily identifiable difference. | Yes | N/A |

**VILLAGE OF GALENA
DELAWARE COUNTY, OHIO
DECEMBER 31, 2008 AND 2007**

SCHEDULE OF PRIOR AUDIT FINDINGS

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|--|-------------------------|--|
| 2006-VOG-006 | Significant Deficiency: record storage and retrieval and records frequently not being able to be located when needed. | Yes | N/A |
| 2006-VOG-007 | Ohio Revised Code Sections 135.21, 135.251 and 5705.10 improper allocation of interest to the required funds. | No | Finding repeated as 2008-VOG-002. |
| 2006-VOG-008 | Significant Deficiency/Material Weakness with regards to improper posting of receipts and disbursements in accordance with the Village Handbook | No | Finding repeated at 2008-VOG-001. |
| 2006-VOG-009 | Significant Deficiency/Material Weakness with regards to all bank accounts not being properly recorded on the Village's system (the utility deposits collected by a third party) | Yes | N/A |



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
MAY 14, 2009