



Dave Yost • Auditor of State

VILLAGE OF GALENA
DELAWARE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Galena, Delaware County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Galena, Delaware County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2015

**VILLAGE OF GALENA
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 62,145	\$ -	\$ -	\$ 62,145
Municipal Income Tax	334,433	-	-	334,433
Intergovernmental	19,320	39,248	30,443	89,011
Fines, Licenses and Permits	6,860	-	-	6,860
Earnings on Investments	1,819	839	-	2,658
Miscellaneous	8,327	-	-	8,327
<i>Total Cash Receipts</i>	<u>432,904</u>	<u>40,087</u>	<u>30,443</u>	<u>503,434</u>
Cash Disbursements				
Current:				
Leisure Time Activities	48,502	-	-	48,502
Community Environment	21,365	-	-	21,365
Transportation	-	14,065	30,443	44,508
General Government	357,592	-	-	357,592
Capital Outlay	-	-	9,299	9,299
Debt Service:				
Principal Retirement	-	2,779	15,000	17,779
Interest and Fiscal Charges	-	-	16,612	16,612
<i>Total Cash Disbursements</i>	<u>427,459</u>	<u>16,844</u>	<u>71,354</u>	<u>515,657</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,445</u>	<u>23,243</u>	<u>(40,911)</u>	<u>(12,223)</u>
<i>Fund Cash Balances, January 1</i>	<u>337,525</u>	<u>161,052</u>	<u>44,950</u>	<u>543,527</u>
Fund Cash Balances, December 31				
Restricted	-	184,295	4,039	188,334
Assigned	270,151	-	-	270,151
Unassigned	72,819	-	-	72,819
<i>Fund Cash Balances, December 31</i>	<u>\$ 342,970</u>	<u>\$ 184,295</u>	<u>\$ 4,039</u>	<u>\$ 531,304</u>

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

VILLAGE OF GALENA
DELAWARE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$ 261,077</u>
<i>Total Operating Cash Receipts</i>	<u>261,077</u>
Operating Cash Disbursements	
Personal Services	2,400
Contractual Services	48,072
Supplies and Materials	<u>70,258</u>
<i>Total Operating Cash Disbursements</i>	<u>120,730</u>
<i>Operating Income</i>	<u>140,347</u>
Non-Operating Disbursements	
Principal Retirement	(19,759)
Interest and Other Fiscal Charges	<u>(14,367)</u>
<i>Total Non-Operating Disbursements</i>	<u>(34,126)</u>
<i>Net Change in Fund Cash Balances</i>	106,221
<i>Fund Cash Balances, January 1</i>	<u>284,376</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 390,597</u></u>

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

**VILLAGE OF GALENA
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 63,846	\$ -	\$ -	\$ 63,846
Municipal Income Tax	325,826	-	-	325,826
Intergovernmental	36,130	46,514	184,993	267,637
Fines, Licenses and Permits	12,400	-	-	12,400
Earnings on Investments	1,636	666	-	2,302
Miscellaneous	7,259	715	-	7,974
<i>Total Cash Receipts</i>	<u>447,097</u>	<u>47,895</u>	<u>184,993</u>	<u>679,985</u>
Cash Disbursements				
Current:				
Leisure Time Activities	31,059	-	-	31,059
Community Environment	23,094	-	-	23,094
Transportation	-	30,717	-	30,717
General Government	316,214	-	-	316,214
Capital Outlay	-	-	492,320	492,320
Debt Service:				
Principal Retirement	-	2,779	15,000	17,779
Interest and Fiscal Charges	8,456	-	8,456	16,912
<i>Total Cash Disbursements</i>	<u>378,823</u>	<u>33,496</u>	<u>515,776</u>	<u>928,095</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>68,274</u>	<u>14,399</u>	<u>(330,783)</u>	<u>(248,110)</u>
Other Financing Receipts				
Loan Proceeds	-	-	194,912	194,912
Sale of Capital Assets	-	-	180,821	180,821
<i>Total Other Financing Receipts</i>	<u>-</u>	<u>-</u>	<u>375,733</u>	<u>375,733</u>
<i>Net Change in Fund Cash Balances</i>	68,274	14,399	44,950	127,623
<i>Fund Cash Balances, January 1</i>	<u>269,251</u>	<u>146,653</u>	<u>-</u>	<u>415,904</u>
Fund Cash Balances, December 31				
Restricted	-	161,052	44,950	206,002
Assigned	298,449	-	-	298,449
Unassigned	39,076	-	-	39,076
<i>Fund Cash Balances, December 31</i>	<u>\$ 337,525</u>	<u>\$ 161,052</u>	<u>\$ 44,950</u>	<u>\$ 543,527</u>

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

VILLAGE OF GALENA
DELAWARE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$ 239,265</u>
<i>Total Operating Cash Receipts</i>	<u>239,265</u>
Operating Cash Disbursements	
Personal Services	2,400
Contractual Services	60,452
Supplies and Materials	<u>54,375</u>
<i>Total Operating Cash Disbursements</i>	<u>117,227</u>
<i>Operating Income</i>	<u>122,038</u>
Non-Operating Disbursements	
Principal Retirement	(20,169)
Interest and Other Fiscal Charges	<u>(10,773)</u>
<i>Total Non-Operating Disbursements</i>	<u>(30,942)</u>
<i>Net Change in Fund Cash Balances</i>	91,096
<i>Fund Cash Balances, January 1</i>	<u>193,280</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 284,376</u></u>

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

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village participates in jointly governed organizations and a public entity risk pool. Notes 8 & 10 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

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

Jointly Governed Organizations:

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Village's accounting basis includes deposits as assets.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

3. Capital Project Funds

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

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

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

4. Enterprise Funds

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

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

VILLAGE OF GALENA
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

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

VILLAGE OF GALENA
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$921,901	\$827,903

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. Equity in Pooled Deposits (Continued)

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$358,467	\$432,904	\$74,437
Special Revenue	32,000	40,087	8,087
Capital Projects	0	30,443	30,443
Enterprise	206,000	261,077	55,077
Total	\$596,467	\$764,511	\$168,044

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$656,916	\$427,459	\$229,457
Special Revenue	188,803	16,844	171,959
Capital Projects	75,393	71,354	4,039
Enterprise	277,500	154,856	122,644
Total	\$1,198,612	\$670,513	\$528,099

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$295,502	\$447,097	\$151,595
Special Revenue	32,000	47,895	15,895
Capital Projects	180,822	560,726	379,904
Enterprise	206,000	239,265	33,265
Total	\$714,324	\$1,294,983	\$580,659

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$513,225	\$378,823	\$134,402
Special Revenue	171,000	33,496	137,504
Capital Projects	560,727	515,776	44,951
Enterprise	253,500	148,169	105,331
Total	\$1,498,452	\$1,076,264	\$422,188

4. Property Tax

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

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

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

5. Local Income Tax

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax receipts for the years ended December 31, 2014 and 2013 were \$334,433 and \$325,826, respectively, and are credited to the General Fund.

6. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
2011 General Obligation Bonds	\$365,000	3%
OPWC - Walnut St. Reconstruction	61,133	0%
OPWC - Wastewater Facility Improvements	63,664	0%
Ohio Water Development Authority Loan	515,705	3.77%
Total	\$1,005,502	

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

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

On July 1, 2011, the Village entered into an agreement with Director of the Ohio Public Works Commission for the Wastewater Facility Improvements project. The loan issued by OPWC was \$66,848 and will be paid off in twenty-one years.

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

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

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

Year ending December 31:	General Obligation Bonds	OPWC Loan - Walnut St.	OPWC Loan - Wastewater Facility	OWDA Loan
2015	\$31,163	\$2,779	\$3,183	\$30,942
2016	30,562	2,779	3,183	30,942
2017	29,963	2,779	3,183	30,942
2018	29,362	2,779	3,183	30,942
2019	33,763	2,779	3,183	30,942
2020-2024	155,912	13,894	15,916	154,712
2025-2029	156,875	13,894	15,916	154,712
2030-2034	64,275	13,894	15,917	154,712
2035-2039	0	5,556	0	154,712
2040-2044	0	0	0	46,414
Total	<u>\$531,875</u>	<u>\$61,133</u>	<u>\$63,664</u>	<u>\$819,972</u>

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

8. Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2013 and 2014.

VILLAGE OF GALENA
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

8. Risk Management (Continued)

	2013	2014
Assets	\$13,774,304	\$14,830,185
Liabilities	(7,968,395)	(8,942,504)
Members' Equity	\$5,805,909	\$5,887,681

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

9. Contingent Liabilities

The Village is defendant in a couple lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

10. Jointly Governed Organizations

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

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Galena, Delaware County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 through 2014-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-002 and 2014-003.

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2015

**VILLAGE OF GALENA
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

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

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

1. In 2013, the Village classified \$14,669 and \$8,610 in General Fund and Special Revenue Fund grant receipts, respectively, as miscellaneous receipts instead of intergovernmental receipts.
2. In 2013, the General Fund balance was decreased by \$3,360 while the Special Revenue Fund balance was increased by \$3,360 to reflect previous audit adjustments that were posted to the accounting system in 2014.
3. In 2013, the General Fund balance was increased by \$1,314 to remove two expenditures from the 2013 financial activity that were voided in 2014.
4. In 2014 and 2013, the Village classified \$2,779 in OPWC loan payments as Transportation instead of Principal Retirement in the Special Revenue Fund.
5. In 2014 and 2013, the Village classified \$19,759 and \$20,169, respectively, in OWDA loan interest as Principal Retirement instead of Interest and Other Fiscal Charges in the Sewer Fund.
6. In 2014, the Village classified \$15,000 in General Obligation Bond principal and \$16,612 in General Obligation Bond interest as Capital Outlay in the Municipal Building Fund instead of Principal Retirement and Interest and Other Fiscal Charges, respectively.

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

In 2014 and 2013, the Village misclassified the General Fund balance of \$270,151 and \$298,449, respectively, as unassigned instead of assigned to account for subsequent appropriations exceeding estimated receipts in the General Fund.

Findings 2014-002 and 2014-003 also discuss audit adjustments that were required to be made to the financial statements.

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

The reclassification identified during the audit should be reviewed by the Fiscal Officer to prevent similar errors from being reported improperly on the financial statements in subsequent years. In addition, the Village Council should review the financial statements and note disclosures to identify and correct errors and omissions.

Officials' Response:

We will make a greater effort to work with Administrator Jeanna Burrell and your office to properly post transactions and fund balances as grants are received and processed and to properly post funds for Capital projects as they are received.

VILLAGE OF GALENA
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-002

Material Noncompliance / Material Weakness

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

In 2014 and 2013, the Village received \$30,443 and \$184,993, respectively, in grant receipts and in 2013 they received \$194,912 in loan proceeds from the Ohio Public Works Commission. The Village did not post related receipts or expenditures to the Village's accounting system.

We proposed the following audit adjustments to the Village:

1. In 2014, post \$30,443 as intergovernmental receipts and transportation expenditures to a capital projects fund.
2. In 2013, post \$184,993 in intergovernmental receipts, \$194,912 in loan proceeds, and \$379,905 as transportation expenditures to a capital projects fund.

These adjustments are reflected on the December 31, 2014 and 2013 financial statements, respectively and were made to the Village's accounting records.

The Village should implement procedures to properly account for all Ohio Public Works project financial activity in their accounting system.

Officials' Response:

We will make a greater effort to work with Administrator Jeanna Burrell and your office to properly post transactions and fund balances as grants are received and processed and to properly post funds for Capital projects as they are received

VILLAGE OF GALENA
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)

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

FINDING NUMBER 2014-003

Material Noncompliance / Material Weakness

Ohio Rev. Code §5705.13(C) states that a taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision.

The Village expended \$4,023 out of the Municipal Building Fund for purchases that are not considered to be for the acquisition, construction, or improvement of fixed assets. The financial statements and accounting system have been properly adjusted.

Failure to expend monies from the proper fund can cause improper use of funding sources.

To help prevent purchases made from unallowable funds, we recommend the Fiscal Officer review the account codes listed on the purchase order prior to approval.

Officials' Response:

This finding was corrected and a Fund Status Report was submitted as proof that this adjustment was made. \$4,023 was moved from the general fund to the municipal building fund.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2012-001	Financial Reporting	No	Reissued as Finding 2014-001
Finding 2012-002	Ohio Rev. Code §5075.09	No	Reissued as Finding 2014-002



Dave Yost • 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
OCTOBER 8, 2015**