



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF GALENA
DELAWARE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Galena
109 Harrison St
Galena, OH 43021

We have reviewed the *Independent Auditor's Report* of the Village of Galena, Delaware County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2019 through December 31, 2020. 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.

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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 16, 2021

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**VILLAGE OF GALENA
DELAWARE COUNTY**

*For the Years Ended December 31, 2020 and 2019
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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 of the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Galena, Delaware County, Ohio (the Village).

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 such 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 2 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, 2020 and 2019, and the respective 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 cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village, 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 2.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2021, 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.



BHM CPA Group, Inc.
Piketon, Ohio
August 20, 2021

**VILLAGE OF GALENA
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 108,953	\$ -	\$ -	\$ 108,953
Municipal Income Tax	530,313	-	-	530,313
Intergovernmental	18,066	109,657	18,668	146,391
Charges for Services	-	5,600	-	5,600
Fines, Licenses, and Permits	255,270	-	-	255,270
Earnings on Investments	15,693	1,878	-	17,571
Miscellaneous	18,991	28	-	19,019
	<u>947,286</u>	<u>117,163</u>	<u>18,668</u>	<u>1,083,117</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Public Health Services	-	3,501	-	3,501
Leisure Time Activities	12,798	-	-	12,798
Community Environment	54,997	-	-	54,997
Transportation	1,684	459	-	2,143
General Government	658,931	47,900	-	706,831
Debt Service:				
Principal Retirement	20,935	7,048	19,065	47,048
Interest and Fiscal Charges	12,863	-	43	12,906
	<u>762,208</u>	<u>58,908</u>	<u>19,108</u>	<u>840,224</u>
Total Cash Disbursements				
Net Change in Fund Cash Balances	185,078	58,255	(440)	242,893
Fund Cash Balances, January 1 <i>(Restated - See Note 16)</i>	<u>299,464</u>	<u>193,972</u>	<u>440</u>	<u>493,876</u>
Fund Cash Balances, December 31	<u>\$ 484,542</u>	<u>\$ 252,227</u>	<u>\$ -</u>	<u>\$ 736,769</u>

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

**VILLAGE OFGALENA
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 654,027
Total Operating Cash Receipts	654,027
Operating Cash Disbursements:	
Personal Services	41,105
Employee Fringe Benefits	3,690
Contractual Services	159,892
Supplies and Materials	116,397
Total Operating Cash Disbursements	321,084
Operating Income (Loss)	332,943
Non-Operating Receipts (Disbursements)	
Special Assessments	10,335
Miscellaneous Receipts	100,000
Loan Issued	387,912
Capital Outlay	(387,912)
Principal Retirement	(364,535)
Interest and Fiscal Charges	(165,150)
Total Non-Operating Cash Receipts (Disbursements)	(419,350)
Net Change in Fund Cash Balances	(86,407)
Fund Cash Balances, January 1 <i>(Restated - See Note 16)</i>	2,003,689
Fund Cash Balances, December 31	\$ 1,917,282

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

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 - Reporting Entity

The Village of Galena (the Village), Delaware County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, cemetery services and general government services. The Village utilizes with the Delaware County Sheriff's department to provide security of persons and property. The Village contracts with B.S.T. & G Joint Fire District to receive fire protection services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway Fund- The State Highway Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Village.

Cemetery Fund- The cemetery fund accounts for and reports changes for Sale of Lots, Grave Openings, Foundations, and for other cemetery costs.

Capital Project Funds The 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:

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Grant Construction – ODNR Fund - This Capital Project Fund was used to account for the Trail Project.

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- The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

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.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2020 budgetary activity appears in Note 3.

Deposits

The Village's accounting basis includes deposits as assets.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,128,484	\$947,286	(\$181,198)
Special Revenue	85,400	117,163	31,763
Capital Projects	18,668	18,668	0
Enterprise	964,196	1,152,274	188,078
Total	\$2,196,748	\$2,235,391	\$38,643

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,324,237	\$762,208	\$562,029
Special Revenue	262,782	58,908	203,874
Capital Projects	19,108	19,108	0
Enterprise	1,789,613	1,238,681	550,932
Total	\$3,395,740	\$2,078,905	\$1,316,835

Note 4 – Deposits and Investments

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

	2020
Cash Management Pool:	
Demand deposits	\$2,141,637
Certificates of deposit	512,414
Total deposits	2,654,051

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments (Continued)

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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, 2020 was \$530,313 and is credited to the General Fund.

Note 6 - Risk Management

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

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

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 - Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	(13,530,267)
Members' Equity	\$ 5,296,707

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Five 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. 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, 2020.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CQ05N - <i>Walnut St Phase II</i>	\$44,460	0.00%
OPWC CQ18P - <i>Walnut St Phase III</i>	102,451	0.00%
OPWC CQ13O - <i>Wastewater Facility Improvement</i>	44,565	0.00%
OWDA Sewer - 7961	5,193,064	2.67-2.79%
OWDA Sewer - 7581	439,080	3.77%
2011 General Obligation Bonds	<u>265,000</u>	4.50%
Total	<u><u>\$6,088,620</u></u>	

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 and 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. The Village completed Phase 3 of the OPWE- Walnut Street Reconstruction in January of 2014, and began paying on the loan in June of 2015.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt (Continued)

In 2018 The Village entered into a loan with O.W.D.A. for WWTP replacement. The loan amount was \$5.6 million dollars with payments expected to begin in July 2020. No amortization table is available for the loan repayment.

On August 28, 2019 the Village entered into Park and Recreation Facilities Improvement Note for the amount \$325,000 for the purpose of paying part of the cost of acquiring, constructing and installing Galena Brick Trail improvements. The loan will be repaid with the proceed of O.D.N.R. grant of \$366,306.

Leases

The Village leases a truck under noncancelable leases. The Village disbursed \$12,529 to pay lease costs for the year ended December 31, 2020.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loans	GO Bonds
2021	\$ 10,231	\$ 30,942	31,963
2022	10,231	30,942	31,063
2023	10,231	30,942	30,163
2024	10,231	30,942	29,563
2025	10,231	30,942	33,663
2026-2030	51,154	154,712	156,063
2031-2035	51,154	154,712	31,425
2036-2040	26,902	154,712	-
2041-2044	11,111	30,942	-
Total	<u>\$191,476</u>	<u>\$649,788</u>	<u>\$343,903</u>

Note 10 – Jointly Governed Organization

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.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – Construction and Contractual Commitments

The Village has a 5.55 million-dollar construction loan for the design and construction of a new wastewater facility.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 14 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpended corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds is restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue, and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 15 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

There was no effect to beginning cash balances due to this change.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 16 – Restatement of Beginning Cash Balances

A restatement was made to beginning cash balances to void and remove old outstanding checks from prior years:

	<u>General Fund</u>
Cash Balance January 1, 2020	\$ 299,367
Adjustments:	
Fund Balance Adjustment - General Fund	<u>97</u>
Restated cash Balance, January 1, 2020	<u>\$ 299,464</u>

	<u>Enterprise Funds</u>
Cash Balance January 1, 2020	\$ 1,899,191
Adjustments:	
Fund Balance Adjustment - Sewer Operating Fund	2,890
Fund Balance Adjustment - Enterprise Improvement Fund	<u>101,608</u>
Restated cash Balance, January 1, 2020	<u>\$ 2,003,689</u>

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**VILLAGE OF GALENA
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 102,664	\$ -	\$ -	\$ 102,664
Municipal Income Tax	487,162	-	-	487,162
Intergovernmental	17,716	49,057	340,419	407,192
Charges for Services	-	7,365	-	7,365
Fines, Licenses, and Permits	311,503	-	-	311,503
Earnings on Investments	8,591	9,771	-	18,362
Miscellaneous	4,512	200,206	-	204,718
	<u>932,148</u>	<u>266,399</u>	<u>340,419</u>	<u>1,538,966</u>
Total Cash Receipts				
	<u>932,148</u>	<u>266,399</u>	<u>340,419</u>	<u>1,538,966</u>
Cash Disbursements:				
Current:				
Public Health Services	-	5,725	-	5,725
Leisure Time Activities	18,862	120,954	-	139,816
Community Environment	54,699	-	-	54,699
Transportation	2,297	224,153	-	226,450
General Government	692,483	6,939	-	699,422
Capital Outlay	-	-	350,331	350,331
Debt Service:				
Principal Retirement	20,000	7,048	350,458	377,506
Interest and Fiscal Charges	13,763	-	362	14,125
	<u>802,104</u>	<u>364,819</u>	<u>701,151</u>	<u>1,868,074</u>
Total Cash Disbursements				
	<u>802,104</u>	<u>364,819</u>	<u>701,151</u>	<u>1,868,074</u>
Excess of Receipts Over/(Under) Disbursements	130,044	(98,420)	(360,732)	(329,108)
Other Financing Receipts (Disbursements):				
Loans Issued	-	-	262,000	262,000
	<u>-</u>	<u>-</u>	<u>262,000</u>	<u>262,000</u>
Total Other Financing Receipts (Disbursements)				
	<u>-</u>	<u>-</u>	<u>262,000</u>	<u>262,000</u>
Net Change in Fund Cash Balances	130,044	(98,420)	(98,732)	(67,108)
Fund Cash Balances, January 1	169,323	292,392	99,172	560,887
	<u>169,323</u>	<u>292,392</u>	<u>99,172</u>	<u>560,887</u>
Fund Cash Balances, December 31				
Restricted	-	193,972	-	193,972
Committed	-	-	440	440
Unassigned (Deficit)	299,367	-	-	299,367
	<u>299,367</u>	<u>-</u>	<u>-</u>	<u>299,367</u>
Fund Cash Balances, December 31	<u>\$ 299,367</u>	<u>\$ 193,972</u>	<u>\$ 440</u>	<u>\$ 493,779</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 888,340
Total Operating Cash Receipts	888,340
Operating Cash Disbursements:	
Personal Services	79,774
Employee Fringe Benefits	8,117
Contractual Services	134,069
Supplies and Materials	94,265
Total Operating Cash Disbursements	316,225
Operating Income (Loss)	572,115
Non-Operating Receipts (Disbursements)	
Special Assessments	2,655
Other Debt Issued	2,061,794
Capital Outlay	(2,018,232)
Principal Retirement	(16,663)
Interest and Fiscal Charges	(17,463)
Total Non-Operating Cash Receipts (Disbursements)	12,091
Net Change in Fund Cash Balances	584,206
Fund Cash Balances, January 1	1,314,985
Fund Cash Balances, December 31	\$ 1,899,191

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

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Galena (the Village), Delaware County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, cemetery services and general government services. The Village utilizes with the Delaware County Sheriff's department to provide security of persons and property. The Village contracts with B.S.T. & G Joint Fire District to receive fire protection services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

State Highway Fund - The State Highway Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Village.

Cemetery Fund- The cemetery fund accounts for and reports changes for Sale of Lots, Grave Openings, Foundations, and for other cemetery costs.

Capital Project Funds The 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:

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Grant Construction – ODNR Fund - This Capital Project Fund was used to account for the Trail Project.

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- The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

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.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated.

A summary of 2019 budgetary activity appears in Note 3.

Deposits

The Village's accounting basis includes deposits as assets.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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.

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:

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

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.

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.

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.

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.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$836,669	\$932,148	\$95,479
Special Revenue	230,000	266,399	36,399
Capital Projects	691,306	602,419	(88,887)
Enterprise	2,693,736	2,952,789	259,053
Total	\$4,451,711	\$4,753,755	\$302,044

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$987,064	\$802,104	\$184,960
Special Revenue	521,573	364,819	156,754
Capital Projects	799,764	701,151	98,613
Enterprise	2,981,594	2,368,583	613,011
Total	\$5,289,995	\$4,236,657	\$1,053,338

Note 4 – Deposits and Investments

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

	2019
<i>Cash Management Pool:</i>	
Demand deposits	\$1,892,970
Certificates of deposit	500,000
Total deposits	2,392,970

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Taxes

Property Taxes

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.

Income Taxes

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 Reginal 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, 2019 was \$487,162 and is credited to the General Fund.

Note 6 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 - Risk Management (Continued)

Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Five 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. 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, 2019.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC CQ05N - <i>Walnut St Phase II</i>	\$47,239	0.00%
OPWC CQ18P - <i>Walnut St Phase III</i>	106,720	0.00%
OPWC CQ13O - <i>Wastewater Facility Improvement</i>	47,748	0.00%
OWDA Sewer - 7961	5,152,512	2.67-2.79%
OWDA Sewer - 7581	453,072	3.77%
FCB - Commercial Line for Trial	20,000	3.69%
2011 General Obligation Bonds	<u>285,000</u>	4.50%
Total	<u>\$6,112,291</u>	

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 and 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. The Village completed Phase 3 of the OPWE- Walnut Street Reconstruction in January of 2014, and began paying on the loan in June of 2015.

In 2018 The Village entered into a loan with O.W.D.A. for WWTP replacement. The loan amount was \$5.6 million dollars with payments expected to begin in July 2020. No amortization table is available for the loan repayment.

On August 28, 2019 the Village entered into Park and Recreation Facilities Improvement Note for the amount \$325,000 for the purpose of paying part of the cost of acquiring, constructing and installing Galena Brick Trail improvements. The loan will be repaid with the proceed of O.D.N.R. grant of \$366,306.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (Continued)

Leases

The Village leases a truck under noncancelable leases. The Village disbursed \$12,529 to pay lease costs for the year ended December 31, 2019.

Amortization

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

Year Ending December 31:	OPWC Loans	OWDA Loans	GO Bonds	FCB - Trail	Leases
2020	\$ 10,231	\$ 30,942	\$ 32,863	\$ 20,042	\$ 12,529
2021	10,231	30,942	31,963	-	-
2022	10,231	30,942	31,063	-	-
2023	10,231	30,942	30,163	-	-
2024	10,231	30,942	29,563	-	-
2025-2029	51,154	154,712	156,875	-	-
2030-2034	51,154	154,712	64,275	-	-
2035-2039	32,863	154,712	-	-	-
2040-2044	15,381	61,885	-	-	-
Total	<u>\$ 201,707</u>	<u>\$680,731</u>	<u>\$ 376,765</u>	<u>\$ 20,042</u>	<u>\$ 12,529</u>

Note 10 – Jointly Governed Organization

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.

Note 11 – Construction and Contractual Commitments

The Village has a 5.55 million-dollar construction loan for the design and construction of a new wastewater facility. Payment will not begin until 2020.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Village of Galena, Ohio
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



**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 cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Galena, Delaware County, (the Village) and have issued our report thereon dated August 20, 2021, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

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 financial statements. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



BHM CPA Group, Inc.
Piketon, Ohio
August 20, 2021

**Village of Galena
Delaware County
Schedule of Findings
December 31, 2020 and 2019**

1. SUMMARY OF AUDITOR'S RESULTS

FINDING NUMBER 2020-001

Financial Reporting - Material Weakness

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

Misstatements were identified during the course of the audit which have not been prevented or detected by the Village's internal controls over financial reporting. Misstatements were identified in the following areas:

- Principal Payments;
- Interest Payments;
- Capital Outlay Disbursements;
- Public Works Disbursements;
- General Government Disbursements;
- Other Disbursements;
- Debt Proceeds;
- Intergovernmental Revenue;
- Fund Balance

The notes to the financial statements also required additions and corrections for the years ended December 31, 2019 and 2020.

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials' Response: The Village's response to the audit findings are as follows:

2019

- A. We did not receive the audit findings/correction from the 2018 audit until 7/2019. By the time we received the corrections the payment of \$108,458 had been paid (1/2019).
- B. Receipts posted to incorrect accounts were the final 2 items for phase 2, we did not receive corrections from 2018 audit until after the phase 2 grant was final. We corrected our accounting for the phase 3 grant per local government.
- C. We will set up an additional line item with the label principal in the street fund (2011)
- D. That was our error and we corrected it in 2020.

2020

- A. That was our error we did not transfer funds into an interest account and paid it out of the general fund.
- B. We will set up an additional line item with the label principal in the street fund (2011)
- C. That was an error, Incorrect account was clicked on the system
- D. We were not given any information from O.W.D.A. as to what our principal and interest payment will be , and we still do not have an amortization schedule so all money was placed into the principal account. We should have transferred the interest to a separate account for that one payment.
- E. 1. Cindy McCafferty from local government instructed us to receipt in the \$100,000 settlement into the miscellaneous sewer account. The payment to O.W.D.A was paid from that fund.
2. All voided I.B.I. checks were written from the 5701 account so when they were voided the funds went back into that account, and that is the account we wrote the payment from.

**Village of Galena
Delaware County
Schedule of Prior Audit Findings
December 31, 2020 and 2019**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2018-001	Financial Statement Presentation – Material Weakness	No	Reissued as Finding 2020-001
2018-002	Material Weakness/Noncompliance – On Behalf and Grant Activity	Yes	

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF GALENA

DELAWARE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 9/28/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov