

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2004 and 2003





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Village of Galena  
9 West Columbus Street  
PO Box 386  
Galena, Ohio 43201-0386

We have reviewed the *Independent Accountants' Report* of the Village of Galena, Delaware County, prepared by Julian & Grube, Inc. for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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BETTY MONTGOMERY  
Auditor of State

April 28, 2006

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**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

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

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**Independent Accountants' Report**

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

We have audited the accompanying financial statements of the Village of Galena, Delaware County, (the "Village") as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village of Galena to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village of Galena does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Galena has elected not to reformat its statements. Since the Village of Galena does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Independent Accountants' Report  
Village of Galena  
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Galena as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of the Village of Galena, Delaware County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the accounting basis as Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2006, on our consideration of the Village of Galena's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
March 13, 2006

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2004 AND 2003

<u>Cash and Cash Equivalents</u>	2004	2003
Cash and Cash Equivalents	\$ 419,622	\$ 501,457
Total Cash and Cash Equivalents	\$ 419,622	\$ 501,457
<u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 165,715	\$ 220,284
Special Revenue	160,358	168,360
Total Governmental Funds	326,073	388,644
<u>Proprietary Fund Type:</u>		
Enterprise	93,549	112,813
Total Fund Balances	\$ 419,622	\$ 501,457

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



**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 23,870	\$ -	\$ 23,870
Municipal Income Tax	113,634	-	113,634
Intergovernmental	37,475	52,688	90,163
Charges for services	-	285	285
Fines, licenses, and permits	66,545	-	66,545
Interest	2,161	778	2,939
Miscellaneous	1,114	-	1,114
Total cash receipts	<u>244,799</u>	<u>53,751</u>	<u>298,550</u>
Cash disbursements:			
Current:			
Security of persons and property	109,812	-	109,812
Public health services	500	-	500
Leisure time activities	-	13,674	13,674
Community environment	13,755	-	13,755
Transportation	38,900	48,079	86,979
General government	136,401	-	136,401
Total cash disbursements	<u>299,368</u>	<u>61,753</u>	<u>361,121</u>
Total cash receipts (under) cash disbursements	<u>(54,569)</u>	<u>(8,002)</u>	<u>(62,571)</u>
Cash fund balances, January 1, 2004	<u>220,284</u>	<u>168,360</u>	<u>388,644</u>
Cash fund balances, December 31, 2004	<u>\$ 165,715</u>	<u>\$ 160,358</u>	<u>\$ 326,073</u>

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 28,682
Total operating cash receipts	28,682
Operating cash disbursements:	
Contractual services	29,376
Capital outlay	18,570
Total operating cash disbursements	47,946
Net receipts (under) disbursements	(19,264)
Cash fund balances, January 1, 2003	112,813
Cash fund balances, December 31, 2004	\$ 93,549

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
	Governmental:											
General	\$ 214,000	\$ 287,556	\$ 501,556	\$ 244,799	\$ (42,757)	\$ -	\$ 481,210	\$ 481,210	\$ 299,368	\$ -	\$ 299,368	\$ 181,842
Special Revenue	164,900	53,450	218,350	53,751	301	-	249,450	249,450	61,753	-	61,753	187,697
Proprietary:												
Enterprise	116,000	97,000	213,000	28,682	(68,318)	-	213,000	213,000	47,946	-	47,946	165,054
Total (Memorandum Only)	\$ 494,900	\$ 438,006	\$ 932,906	\$ 327,232	\$ (110,774)	\$ -	\$ 943,660	\$ 943,660	\$ 409,067	\$ -	\$ 409,067	\$ 534,593

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types		
	General	Special Revenue	Total (Memorandum Only)
Cash receipts:			
Local taxes	\$ 22,337	\$ -	\$ 22,337
Municipal Income Tax	139,484	-	139,484
Intergovernmental	49,287	54,175	103,462
Charges for services	-	450	450
Fines, licenses, and permits	79,452	-	79,452
Interest	1,044	382	1,426
Miscellaneous	402	-	402
Total cash receipts	292,006	55,007	347,013
Cash disbursements:			
Current:			
Security of persons and property	153,678	-	153,678
Leisure time activities	122	15,732	15,854
Community environment	9,075	-	9,075
Basic utility services	-	8,878	8,878
Transportation	12,807	-	12,807
General government	125,719	-	125,719
Total cash disbursements	301,401	24,610	326,011
Total cash receipts over/(under) cash disbursements	(9,395)	30,397	21,002
Other financing receipts/(disbursements):			
Operating transfers in	-	12,776	12,776
Operating transfers out	(12,776)	-	(12,776)
Total other financing receipts/(disbursements)	(12,776)	12,776	-
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(22,171)	43,173	21,002
Cash fund balances, January 1, 2003	242,455	125,187	367,642
Cash fund balances, December 31, 2003	\$ 220,284	\$ 168,360	\$ 388,644

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 93,314
Total operating cash receipts	93,314
Operating cash disbursements:	
Contractual services	20,060
Total operating cash disbursements	20,060
Net receipts over disbursements	73,254
Cash fund balances, January 1, 2003	39,559
Cash fund balances, December 31, 2003	\$ 112,813

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
	Governmental:											
General	\$ 241,286	\$ 204,359	\$ 445,645	\$ 292,006	\$ 87,647	\$ 403	\$ 489,341	\$ 489,744	\$ 314,177	\$ -	\$ 314,177	\$ 175,567
Special Revenue	130,193	45,775	175,968	67,783	22,008	-	135,750	135,750	24,610	-	24,610	111,140
Proprietary:												
Enterprise	39,588	18,250	57,838	93,314	75,064	-	53,000	53,000	20,060	-	20,060	32,940
Ⓞ Total (Memorandum Only)	<u>\$ 411,067</u>	<u>\$ 268,384</u>	<u>\$ 679,451</u>	<u>\$ 453,103</u>	<u>\$ 184,719</u>	<u>\$ 403</u>	<u>\$ 678,091</u>	<u>\$ 678,494</u>	<u>\$ 358,847</u>	<u>\$ -</u>	<u>\$ 358,847</u>	<u>\$ 319,647</u>

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 1 - DESCRIPTION OF THE ENTITY**

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

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

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

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

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

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

Governmental Fund Types

General Fund

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

Special Revenue Fund

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

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

*Park Recreation Fund* - This fund receives rental income for use of the park shelter.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

Proprietary Fund Type

Enterprise Fund

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

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

**B. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**C. BUDGETARY PROCESS**

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



**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except certain agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. Delaware County waived this requirement for 2004 and 2003.

*Estimated Resources:*

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

*Appropriations:*

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

*Encumbrances:*

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

There were no outstanding encumbrances at December 31, 2004 and December 31, 2003.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$2,939 and \$1,426 for the years ended December 31, 2004 and 2003, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

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

**F. UNPAID VACATION AND SICK LEAVE**

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

**G. INTERGOVERNMENTAL REVENUES**

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

**H. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 3 - COMPLIANCE**

A. In noncompliance with Ohio Revised code Section 5705.39, the following funds had appropriations in excess of estimated resources for the years ended December 31, 2004 and 2003:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>2004</u>	
Special Revenue Fund	
Park Fund	\$ 31,100
<u>2003</u>	
General Fund	43,696
Special Revenue Fund	
Park Fund	16,286

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

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

	<u>2004</u>	<u>2003</u>
Deposits:		
Demand deposits	\$ 265,797	\$ 351,457
Certificate of deposits	<u>153,825</u>	<u>150,000</u>
Total Cash and Cash Equivalents	<u>\$ 419,622</u>	<u>\$ 501,457</u>

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

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

**NOTE 5 - TAXES**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**B. LOCAL INCOME TAX**

This locally levied tax of 1.00% applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are accounted for in the general fund. The Regional Income Tax Agency (RITA) administers and collects income taxes for the Village. Payments, net of a 3% collection fee are remitted monthly for tax receipts received by RITA in the previous month. The Village collected \$113,634 and \$139,484, in 2004 and 2003, respectively, in income tax receipts.

**NOTE 6 - RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. At December 31, 2004, the Village did not have an unpaid liability for 2004. All amounts for 2003 have been paid.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

**NOTE 7 - RISK MANAGEMENT**

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

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

The Plan issues its own policies and reinsures with A-VII or better rated carriers, except for a 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 for casualty losses and the lesser of 5% or \$50,000 for property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan’s financial statements conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2004, and 2003:

	<u>2004</u>	<u>2003</u>
Assets	\$ 6,685,522	\$ 5,402,167
Liabilities	<u>(2,227,808)</u>	<u>(1,871,123)</u>
Retained deficit	<u>\$ 4,457,714</u>	<u>\$ 3,531,044</u>

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

**NOTE 8 - CONTINGENT LIABILITIES**

The Village is not currently involved in litigation.

**NOTE 9 - SUBSEQUENT EVENT**

Effective September 26, 2005 Ms. Stephanie Paese was hired as the acting Clerk/Treasurer.



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

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

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

We have audited the financial statements of the Village of Galena as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 13, 2006, wherein we noted the Village of Galena followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Galena's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Village in a separate letter dated March 13, 2006.

Members of Council  
Village of Galena

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Galena's financial statements are free of material misstatement, we performed tests on compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-VOG-001 and 2004-VOG-002. We also noted certain matters that we reported to the management of the Village of Galena in a separate letter dated March 13, 2006.

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

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

Julian & Grube, Inc.  
March 13, 2006

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2004 AND 2003**

**SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2004-VOG-001

Ohio Revised Code Section 5705.39 requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that during the fiscal years ended December 31, 2004 and 2003, the total appropriations exceeded the total estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>2004</u>	
Special Revenue Fund	
Park Fund	\$ 31,100
<u>2003</u>	
General Fund	43,696
Special Revenue Fund	
Park Fund	16,286

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

We recommend that the Village comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources. If it is determined that estimated resources will be greater than initially anticipated, the Village should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

*Client Response:* The Village Clerk/Treasurer is attempting to request additional amended certificates when notified of additional monies are received prior to appropriations.



**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO  
DECEMBER 31, 2004 AND 2003**

**SCHEDULE OF FINDINGS**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>	
Finding Number	2004-VOG-002

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

It was noted during the audit for the fiscal year ended December 31, 2004, that 25 out of 29 expenditures tested were not certified in a timely manner and 30 out of 30 expenditures tested were not certified in a timely manner for fiscal year ended December 31, 2003.

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

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

*Client Response:* The Village Clerk/Treasurer is attempting to create and utilize the purchase order system.

**VILLAGE OF GALENA  
DELAWARE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>Finding Number</b>	<b><i>Finding Summary</i></b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2002-001	ORC Sec 5705.41(D) No subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.	Not corrected	Repeated as finding 2004-VOG-002
2002-2002	ORC Sec 5705.36 On or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the proceeding year.	Partially corrected	Finding located in management letter
2002-2002	ORC Sec. 5705.39 Appropriations from each fund shall not exceed the total estimated resources as certified by the county budget commission.	Not corrected	Repeated as finding 2004-VOG-001



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**VILLAGE OF GALENA**

**DELAWARE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 11, 2006**