



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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VILLAGE OF GALENA  
DELAWARE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2018 and 2017  
Fiscal Years Audited Under GAGAS: 2018 and 2017



OHIO AUDITOR OF STATE  
KEITH FABER



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Village Council  
Village of Galena  
109 Harrison Street P.O. Box 386  
Galena, Ohio 43026

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, 2017 through December 31, 2018. 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 cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

June 17, 2019

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**VILLAGE OF GALENA**  
**DELAWARE COUNTY**  
*Basic Financial Statements*  
For the Fiscal Years Ended December 31, 2018 and 2017  
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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 by fund type, and related notes of the Village of Galena, Delaware County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

***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, 2018 and 2017, 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 by fund type, and related notes of the Village of Galena, Delaware County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2019, 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  
April 15, 2019



**VILLAGE OF GALENA  
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Taxes	\$ 92,653	\$ -	\$ -	\$ 92,653
Municipal Income Tax	409,990	-	-	409,990
Intergovernmental	17,219	48,608	104,038	169,865
Charges for Services	-	8,529	-	8,529
Fines, Licenses, and Permits	82,109	-	-	82,109
Earnings on Investments	6,232	6,252	-	12,484
Miscellaneous	3,174	13,560	-	16,734
	<u>611,377</u>	<u>76,949</u>	<u>104,038</u>	<u>792,364</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Public Health Services	-	3,905	-	3,905
Leisure Time Activities	55,092	-	-	55,092
Community Environment	50,697	-	-	50,697
Transportation	976	24,926	-	25,902
General Government	569,406	-	-	569,406
Capital Outlay	-	-	121,334	121,334
Debt Service:				
Principal Retirement	15,000	-	-	15,000
Interest and Fiscal Charges	17,095	-	-	17,095
	<u>708,266</u>	<u>28,831</u>	<u>121,334</u>	<u>858,431</u>
<b>Total Cash Disbursements</b>				
Excess of Receipts Over/(Under) Disbursements	(96,889)	48,118	(17,296)	(66,067)
<b>Other Financing Receipts (Disbursements):</b>				
Other Debt Proceeds	-	-	108,458	108,458
	<u>-</u>	<u>-</u>	<u>108,458</u>	<u>108,458</u>
<b>Total Other Financing Receipts (Disbursements)</b>				
Net Change in Fund Cash Balances	(96,889)	48,118	91,162	42,391
Fund Cash Balances, January 1	266,212	244,274	8,010	518,496
	<u>266,212</u>	<u>244,274</u>	<u>8,010</u>	<u>518,496</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	292,392	-	292,392
Committed	-	-	99,172	99,172
Unassigned (Deficit)	169,323	-	-	169,323
	<u>169,323</u>	<u>-</u>	<u>-</u>	<u>169,323</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 169,323</u>	<u>\$ 292,392</u>	<u>\$ 99,172</u>	<u>\$ 560,887</u>

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

**VILLAGE OF GALENA  
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 948,440
Total Operating Cash Receipts	948,440
<b>Operating Cash Disbursements:</b>	
Personal Services	153,627
Employee Fringe Benefits	20,886
Contractual Services	73,857
Supplies and Materials	56,878
Total Operating Cash Disbursements	305,248
Operating Income (Loss)	643,192
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	5,959
Loan Issued	2,659,486
Capital Outlay	(2,488,923)
Principal Retirement	(23,216)
Interest and Fiscal Charges	(17,957)
Total Non-Operating Cash Receipts (Disbursements)	135,349
Net Change in Fund Cash Balances	778,541
Fund Cash Balances, January 1	536,444
Fund Cash Balances, December 31	\$ 1,314,985

*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, 2018*

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**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.

***Federal Grant Fund-*** The Federal Grant fund accounts for and reports all activity associated with the Community Development Block Grant.

***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, 2018*

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**Note 2 - Summary of Significant Accounting Policies(Continued)**

**Ohio Public Works Commission Fund-** The fund receives Ohio Public Works Commission grants for constructing, maintaining, and repairing the Village streets and Sewer System.

**Other Capital Projects Fund-** This Capital Project Fund was used to account for the Galena Brick 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 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 2018 budgetary activity appears in Note 3.

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Deposits***

The Village's accounting basis includes deposits as assets.

***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.

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 - Summary of Significant Accounting Policies (Continued)**

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.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$671,216	\$611,377	(\$59,839)
Special Revenue	197,682	76,949	(120,733)
Capital Projects	-	212,496	212,496
Enterprise	400,059	3,613,885	3,213,826
Total	\$1,268,957	\$4,514,707	\$3,245,750

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$941,038	\$708,266	\$232,772
Special Revenue	430,986	28,831	402,155
Capital Projects	-	121,334	(121,334)
Enterprise	646,757	2,835,344	(2,188,587)
Total	\$2,018,781	\$3,693,775	(\$1,674,994)

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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:

	2018
Demand deposits	<u>\$ 1,875,872</u>
Total Deposits	<u>\$ 1,875,872</u>

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

**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, 2018 was \$409,990 and is credited to the General Fund.

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 - Risk Management**

The Government 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017 (Latest information available).

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (latest information available).

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	\$ 5,292,512

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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, 2018.

***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, 2018.

**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 members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Walnut St Phase II	\$51,407	0.00%
OPWC Walnut St Phase 3	113,124	0.00%
OPWC Wastewater Facility Improvement	52,523	0.00%
OWDA Sewer - 5789	466,551	4.00%
OWDA Sewer - 7961	3,090,718	2.70%
First Commonwealth Bank Loan	108,458	2.00%
2011 General Obligation Bonds	<u>305,000</u>	4.00%
Total	<u>\$4,187,781</u>	

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 9 – Debt (Continued)**

The Ohio Water Development Authority (OWDA) loan relates to a cooperative agreement for the Village’s Wastewater Treatment plant purchase and design improvements. The Village acquired the loan to acquire, construct, expand, rehabilitate, and improve the Municipal Wastewater Plant.

The loan is finalized and the Village is required to make semi-annual principal payments and interest payments until the loan is paid off. The sewer revenue has been pledged to repay this loan.

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

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

On July 1, 2010 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.

OWDA – 7691 does not have an amortization schedule available.

***Amortization***

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

Year Ending December 31:	General Obligation Bonds	OPWC Walnut Phase II	OPWC Walnut Phase 3	OPWC Wastewater Facility Improvement	OWDA - 5789	First Commonwealth Bank Loan
2019	\$33,763	2,778	4,268	3,184	30,942	108,458
2020	32,863	2,778	4,268	3,184	30,942	0
2021	31,963	2,778	4,268	3,184	30,942	0
2022	31,063	2,778	4,268	3,184	30,942	0
2023	30,163	2,778	4,268	3,184	30,942	0
2024-2028	136,079	13,890	21,340	15,920	154,710	0
2029-2033	114,936	13,890	21,340	15,920	154,710	0
2034-2038	0	9,737	21,340	4,763	154,710	0
2039-2043	0	0	21,340	0	94,447	0
Total	<u>\$410,830</u>	<u>\$51,407</u>	<u>\$106,700</u>	<u>\$52,523</u>	<u>\$713,287</u>	<u>\$108,458</u>

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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.

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**VILLAGE OF GALENA  
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Taxes	\$ 77,822	\$ -	\$ -	\$ 77,822
Municipal Income Tax	424,583	-	-	424,583
Intergovernmental	18,374	37,101	157,326	212,801
Charges for Services	-	19,605	-	19,605
Fines, Licenses, and Permits	21,063	-	-	21,063
Earnings on Investments	2,885	2,575	-	5,460
Miscellaneous	4,990	-	-	4,990
<b>Total Cash Receipts</b>	<u>549,717</u>	<u>59,281</u>	<u>157,326</u>	<u>766,324</u>
<b>Cash Disbursements:</b>				
Current:				
Public Health Services	-	11,834	-	11,834
Leisure Time Activities	20,866	-	-	20,866
Community Environment	50,583	-	-	50,583
Transportation	-	7,048	-	7,048
General Government	445,109	-	-	445,109
Capital Outlay	-	-	49,316	49,316
Debt Service:				
Principal Retirement	15,000	-	-	15,000
Interest and Fiscal Charges	14,963	-	-	14,963
<b>Total Cash Disbursements</b>	<u>546,521</u>	<u>18,882</u>	<u>49,316</u>	<u>614,719</u>
Excess of Receipts Over/(Under) Disbursements	3,196	40,399	108,010	151,605
<b>Other Financing Receipts (Disbursements):</b>				
Advances-In	100,000	-	-	100,000
Advances-Out	-	-	(100,000)	(100,000)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>
Net Change in Fund Cash Balances	103,196	40,399	8,010	151,605
Fund Cash Balances, January 1	<u>163,016</u>	<u>203,875</u>	<u>-</u>	<u>366,891</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	244,274	-	244,274
Committed	-	-	8,010	8,010
Unassigned (Deficit)	266,212	-	-	266,212
<b>Fund Cash Balances, December 31</b>	<u>\$ 266,212</u>	<u>\$ 244,274</u>	<u>\$ 8,010</u>	<u>\$ 518,496</u>

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

**VILLAGE OF GALENA  
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 277,854
Total Operating Cash Receipts	277,854
<b>Operating Cash Disbursements:</b>	
Personal Services	44,331
Employee Fringe Benefits	3,645
Contractual Services	97,164
Supplies and Materials	69,849
Total Operating Cash Disbursements	214,989
Operating Income (Loss)	62,865
<b>Non-Operating Receipts (Disbursements)</b>	
Special Assessments	1,190
Other Debt Issued	431,233
Capital Outlay	(422,582)
Principal Retirement	(17,981)
Interest and Fiscal Charges	(18,433)
Total Non-Operating Cash Receipts (Disbursements)	(26,573)
Income (Loss) before Transfers	36,292
Transfers In	92,533
Transfers Out	(92,533)
Net Change in Fund Cash Balances	36,292
Fund Cash Balances, January 1	500,152
Fund Cash Balances, December 31	\$ 536,444

*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, 2017*

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**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.

***Federal Grant Fund***- The Federal Grant fund accounts for and reports all activity associated with the Community Development Block Grant.

***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, 2017*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Ohio Public Works Commission Fund-** The fund receives Ohio Public Works Commission grants for constructing, maintaining, and repairing the Village streets and Sewer System.

**Other Capital Projects Fund-** This Capital Project Fund was used to account for the Galena Brick 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 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 2017 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, 2017*

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**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, 2017*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$616,110	\$549,717	(\$66,393)
Special Revenue	193,269	59,281	(133,988)
Capital Projects	-	157,326	157,326
Enterprise	737,856	802,810	64,954
Total	\$1,547,235	\$1,569,134	\$21,899

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$785,580	\$546,521	\$239,059
Special Revenue	287,677	18,882	268,795
Capital Projects	-	49,316	(49,316)
Enterprise	982,835	766,518	216,317
Total	\$2,056,092	\$1,381,237	\$674,855

**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:

	2017
Demand deposits	\$ 1,054,940
Total Deposits	\$ 1,054,940

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

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**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, 2017 was \$424,583 and is credited to the General Fund.

**Note 6 - Risk Management**

The Government 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management (Continued)**

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	\$ 5,292,512

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://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, 2017.

***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, 2017.

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**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 members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Walnut St Phase II	\$54,186	0.00%
OPWC Walnut St Phase 3	117,393	0.00%
OPWC Wastewater Facility Improvement	55,706	0.00%
OWDA Sewer - 5789	479,536	4.00%
OWDA Sewer - 7581	431,232	3.50%
2011 General Obligation Bonds	<u>320,000</u>	4.00%
Total	<u>\$1,458,053</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.

**Village of Galena, Ohio**  
*Delaware County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt (Continued)**

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.

OWDA – 7581 does not have an amortization schedule available.

***Amortization***

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

Year Ending December 31:	General Obligation Bonds	OPWC Walnut Phase II	OPWC Walnut Phase 3	OPWC Wastewater Facility Improvement	OWDA Loan 5789
2018	\$29,363	2,778	4,268	3,184	30,942
2019	33,763	2,778	4,268	3,184	30,942
2020	32,863	2,778	4,268	3,184	30,942
2021	31,963	2,778	4,268	3,184	30,942
2022	31,063	2,778	4,268	3,184	30,942
2023-2029	136,079	13,890	21,340	15,920	154,710
2030-2034	145,099	13,890	21,340	15,920	154,710
2035-2039	0	12,516	21,340	7,946	154,710
2040-2044	0		21,340		94,447
Total	<u>\$440,193</u>	<u>\$54,186</u>	<u>\$106,700</u>	<u>\$55,706</u>	<u>\$713,287</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 – Interfund Balances**

Advances during the year ended at December 31, 2017 consisted of \$100,000 advanced in 2016 from the General fund to the Capital Projects funds to provide working capital for operations or projects.



**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  
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 by fund type of the Village of Galena, Delaware County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 15, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

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

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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2018-001 and 2018-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-002.

***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.

Handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.  
Piketon, Ohio  
April 15, 2019



**Village of Galena  
Delaware County  
Schedule of Findings  
December 31, 2018 and 2017**

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**1. SUMMARY OF AUDITOR'S RESULTS**

**FINDING NUMBER 2018-001**

**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.

Material 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:

- Capital Outlay
- Other Debt Proceeds

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: We did not receive a response to this finding.**

**FINDING NUMBER 2018-002**

**Material Weakness/Noncompliance- On-Behalf and Grant Activity**

The Village should have in place, a monitoring system over recording receipts and disbursements to help prevent and detect material misstatements on the Village's financial statements. The monitoring system should include a self-review of Auditor of State Bulletins and externally imposed restrictions established through legislation by the State and Federal Government.

Established by Ohio Rev. Code § 5705.10(D), all revenue derived from a source other than the general property tax which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Further, Auditor of State Bulletins 2002-004 and 2002-005 state that when receiving monies from Ohio Public Works Commission (OPWC) (2002-004) or Clean Ohio Trails (2002-005), the entity should establish a Capital Projects fund to account for and maintain the federal and state monies, as well as, local matching funds.

During both fiscal years 2018 and 2017, the Village did not properly account for the State grant, "Clean Ohio Trails". When reporting activity associated with the Clean Ohio Trails Grant, the Village failed to establish and report the activity within a Capital Project Fund, rather activity was reported in the Special Revenue Fund.

Contrary to section § 5705.10(D) of the Revised Code and guidance established in Audit Bulletin 2002-005, and having a monitoring system which allowed the Village to materially misstate their financial statements, the Village risks not meeting compliance requirements established by grantors.

To help ensure existing controls are functioning as management has intended, we recommend Council review controls over the posting of financial transactions. Reviewing and updating existing controls can help reduce future posting errors and increase the reliability of the financial data throughout the year. We also recommend the Village review section § 5705.10(D) of the Ohio Revised Code and implement controls over the process of establishing new funds and reporting activity for State and Federal Awards.

**Officials' Response: We did not receive a response to this finding.**

**Village of Galena  
Delaware County  
Schedule of Prior Audit Findings  
December 31, 2018 and 2017**

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<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2016-001	Financial Statement Presentation – Material Weakness	No	Reissued as Finding 2018-001
2016-002	Material Weakness/Noncompliance – On Behalf and Grant Activity	No	Reissued as Finding 2018-002

OHIO AUDITOR OF STATE  
**KEITH FABER**



**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  
JULY 2, 2019**