



Dave Yost • Auditor of State

**VILLAGE OF GALENA
DELAWARE COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements 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, 2016 and 2015.

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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Galena, Delaware County as of December 31, 2016 and 2015, 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 November 1, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 1, 2017

Village of Galena, Ohio
Delaware County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$72,991	\$0	\$0	\$72,991
Municipal Income Tax	382,838			382,838
Intergovernmental	21,209	35,167	103,359	159,735
Charges for Services	1,100	3,400		4,500
Fines, Licenses and Permits	15,325			15,325
Earnings on Investments	1,679	2,302		3,981
Miscellaneous	7,392	0	38,190	45,582
<i>Total Cash Receipts</i>	<u>502,534</u>	<u>40,869</u>	<u>141,549</u>	<u>684,952</u>
Cash Disbursements				
Current:				
Public Health Services	0	4,411		4,411
Leisure Time Activities	46,890	0		46,890
Community Environment	34,653			34,653
Transportation		52,018		52,018
General Government	319,569			319,569
Capital Outlay			330,537	330,537
Debt Service:				
Principal Retirement	15,000	7,048		22,048
Interest and Fiscal Charges	15,563			15,563
<i>Total Cash Disbursements</i>	<u>431,675</u>	<u>63,477</u>	<u>330,537</u>	<u>825,689</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>70,859</u>	<u>(22,608)</u>	<u>(188,988)</u>	<u>(140,737)</u>
Other Financing Receipts (Disbursements)				
Transfers In		0	34,000	34,000
Transfers Out	(34,000)			(34,000)
Advances In		0	154,988	154,988
Advances Out	(154,988)			(154,988)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(188,988)</u>	<u>0</u>	<u>188,988</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(118,129)	(22,608)	0	(140,737)
<i>Fund Cash Balances, January 1</i>	<u>281,145</u>	<u>226,483</u>	<u>0</u>	<u>507,628</u>
Fund Cash Balances, December 31				
Restricted	0	203,875	0	203,875
Committed	29,962	0	0	29,962
Assigned	133,054	0	0	133,054
<i>Fund Cash Balances, December 31</i>	<u>\$163,016</u>	<u>\$203,875</u>	<u>\$0</u>	<u>\$366,891</u>

See accompanying notes to the basic financial statements

Village of Galena, Ohio
Delaware County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$268,239
<i>Total Operating Cash Receipts</i>	<i>268,239</i>
Operating Cash Disbursements	
Personal Services	8,058
Contractual Services	115,705
Supplies and Materials	90,456
<i>Total Operating Cash Disbursements</i>	<i>214,219</i>
<i>Operating Income</i>	<i>54,020</i>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(5,513)
Interest and Other Fiscal Charges	(28,613)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(34,126)</i>
<i>Net Change in Fund Cash Balances</i>	<i>19,894</i>
<i>Fund Cash Balances, January 1</i>	<i>480,258</i>
<i>Fund Cash Balances, December 31</i>	<i>\$500,152</i>

See accompanying notes to the basic financial statements

Village of Galena, Ohio
Delaware County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$68,892	\$0	\$0	\$68,892
Municipal Income Tax	346,481			346,481
Intergovernmental	39,251	139,658	25,954	204,863
Fines, Licenses and Permits	9,075			9,075
Earnings on Investments	1,853	1,046		2,899
Miscellaneous	6,583		30,000	36,583
<i>Total Cash Receipts</i>	<u>472,135</u>	<u>140,704</u>	<u>55,954</u>	<u>668,793</u>
Cash Disbursements				
Current:				
Leisure Time Activities	29,911			29,911
Community Environment	29,833			29,833
Transportation		1,168	25,954	27,122
General Government	422,139			422,139
Capital Outlay		104,360	41,000	145,360
Debt Service:				
Principal Retirement	15,000	7,048		22,048
Interest and Fiscal Charges	16,163			16,163
<i>Total Cash Disbursements</i>	<u>513,046</u>	<u>112,576</u>	<u>66,954</u>	<u>692,576</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(40,911)</u>	<u>28,128</u>	<u>(11,000)</u>	<u>(23,783)</u>
Other Financing Receipts (Disbursements)				
Transfers In		14,060	11,000	25,060
Transfers Out	(21,021)		(4,039)	(25,060)
Other Financing Sources	107			107
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,914)</u>	<u>14,060</u>	<u>6,961</u>	<u>107</u>
<i>Net Change in Fund Cash Balances</i>	(61,825)	42,188	(4,039)	(23,676)
<i>Fund Cash Balances, January 1</i>	<u>342,970</u>	<u>184,295</u>	<u>4,039</u>	<u>531,304</u>
Fund Cash Balances, December 31				
Restricted	0	226,483	0	226,483
Committed	30,563	0	0	30,563
Assigned	233,889	0	0	233,889
Unassigned	16,693		0	16,693
<i>Fund Cash Balances, December 31</i>	<u>\$281,145</u>	<u>\$226,483</u>	<u>\$0</u>	<u>\$507,628</u>

See accompanying notes to the basic financial statements

Village of Galena, Ohio
Delaware County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2015

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$259,551
<i>Total Operating Cash Receipts</i>	259,551
Operating Cash Disbursements	
Personal Services	4,707
Contractual Services	85,869
Supplies and Materials	49,832
Other	41
<i>Total Operating Cash Disbursements</i>	140,449
<i>Operating Income</i>	119,102
Non-Operating Receipts (Disbursements)	
Special Assessments	4,685
Principal Retirement	(14,792)
Interest and Other Fiscal Charges	(19,334)
<i>Total Non-Operating Receipts (Disbursements)</i>	(29,441)
<i>Net Change in Fund Cash Balances</i>	89,661
<i>Fund Cash Balances, January 1</i>	390,597
<i>Fund Cash Balances, December 31</i>	\$480,258

See accompanying notes to the basic financial statements

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 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.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a jointly governed organization and a public entity risk pool. Notes 11 and 7 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 charges for Sale of Lots, Grave Openings, Foundations, and for other cemetery costs.

Capital Projects Fund These funds are used to 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 projects funds:

Oho Public Works Commission Fund- This 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 Fund:

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 Council 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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 and 2016 budgetary activity appears in Note 3.

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.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$442,801	\$502,534	\$59,733
Special Revenue	43,400	40,869	(2,531)
Capital Projects	0	330,537	330,537
Enterprise	258,458	268,239	9,781
Total	\$744,659	\$1,142,179	\$397,520

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 3 - Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$727,957	\$620,663	\$107,294
Special Revenue	198,196	63,477	134,719
Capital Projects	0	330,537	(330,537)
Enterprise	409,865	248,345	161,520
Total	<u>\$1,336,018</u>	<u>\$1,263,022</u>	<u>\$72,996</u>

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$360,584	\$472,242	\$111,658
Special Revenue	32,000	154,764	122,764
Capital Projects		66,954	66,954
Enterprise	251,600	264,236	12,636
Total	<u>\$644,184</u>	<u>\$958,196</u>	<u>\$314,012</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$665,951	\$534,067	\$131,884
Special Revenue	156,920	112,576	44,344
Capital Projects	4,039	70,993	(66,954)
Enterprise	305,945	174,575	131,370
Total	<u>\$1,132,855</u>	<u>\$892,211</u>	<u>\$240,644</u>

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 4 – Deposits

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

	2015	2016
Demand deposits	<u>\$987,886</u>	<u>\$867,043</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's 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 Regional Income Tax Agency (RITA) either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. Income tax receipts for the years ended December 31, 2016 and 2015 were \$382,838 and \$346,481 respectively, and are credited to the General Fund.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 6 – Interfund Balances

Advances

Outstanding advances at December 31, 2016, consisted of \$188,988 advanced to Capital Projects funds to provide working capital for operations or projects.

Note 7 - Risk Management

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Assets	\$14,765,712	\$14,643,667
Liabilities	(9,531,506)	(9,112,030)
Members' Equity	<u>\$5,234,206</u>	<u>\$5,531,637</u>

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

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

Social Security

Several of the Village's 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, 2016.

Note 9 - 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC- Walnut St. Reconstruction Phase II	\$55,575	0%
OWDA- Sewer	492,268	4%
2011 General Obligation Bonds	335,000	4%
OPWC- Walnut St Reconstruction Phase 3-Part A	121,252	0%
OPWC- Wastewater Facility Improvements	55,706	0%
Total	<u>\$1,059,801</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.

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 10 – Debt (Continued)

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 OPWC-Walnut Street Reconstruction in January of 2014, and began paying on the loan in June of 2015.

Amortization

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

Year ending December 31:	General Obligation Bonds	OPWC Loan Walnut St.	OPWC Loan Wastewater Facility	OWDA Loan
2017	\$29,963	\$7,354	\$3,184	\$30,942
2018	29,363	7,354	3,184	30,942
2019	33,763	7,354	3,184	30,942
2020	32,863	7,354	3,184	30,942
2021	31,963	7,354	3,184	30,942
2022-2026	157,290	36,770	15,920	154,710
2027-2032	154,951	36,770	15,920	154,710
2033-2037	0	36,770	9,552	154,710
2038-2043	0	22,880	0	123,768
Total	\$470,156	\$169,960	\$57,312	\$742,608

Note 11 – Jointly Governed Organization

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

**VILLAGE OF GALENA
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

Note 12 – Miscellaneous Revenues

During both 2016 and 2015 the Village received funding from the State of Ohio, for taking part in the Clean Ohio Trails Grant. To receive the grant monies, the Village had a local matching requirement of 25%. To meet this obligation, the Village accepted contributions and donations from a variety of local businesses and organizations. These receipts were recorded within the Capital Project fund as Miscellaneous Revenue. For 2016 and 2015 contributions and donations totaled \$38,190 and \$30,000 respectively.

Note 13 – Subsequent Events

During 2017, the Village took over the all of Berkshire Township’s responsibilities associated with the Galena Cemetery. These responsibilities include a \$411 bequest for the purpose of maintenance and upkeep of the Cemetery. For subsequent audit periods, this activity will be reflected within a Fiduciary Fund as a Private Purpose Trust.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the 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, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2017, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 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 2016-002.

Village's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

November 1, 2017

VILLAGE OF GALENA
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness – Financial Statement Presentation

Sound financial reporting is the responsibility of Village Council and the fiscal officer and is essential to help ensure information provided to the readers of the financial statements is complete and accurate. During 2016 and 2015, we identified financial statements errors within the General, Special Revenue, Capital Project and Enterprise Funds; misclassification of activity, and incorrect GASB Statement No. 54 fund balance classifications.

The following errors were noted for December 31, 2016 and 2015, respectively and were adjusted on the financial statements and accounting records where applicable:

- For 2016, within the General Fund Unassigned Fund Balance was reclassified to Assigned for \$133,054, and Committed for \$29,962. In 2015, Unassigned Fund Balance was reclassified to Assigned for \$233,889, and Committed for \$30,563.
- Debt Principal payments recorded within the Special Revenue Fund were reclassified from Transportation for \$7,048 in both 2016 and 2015. During 2015, Principal was reclassified to Interest within the Sewer Fund for \$9,721.
- During 2015, Property Taxes within the General Fund were posted at net, and included Special Assessments that were levied for the Sewer fund. These errors resulted in Property Tax being overstated by \$3,244 and general government expenditures being understated by \$1,400 in the General Fund, and Special Assessments being understated by \$4,685 and Other Expenditures being understated by \$41 in the Enterprise Fund, for a total fund balance effect on each fund of \$4,644.

As further described in Finding 2016-002, adjustments were also noted related to on-behalf activity within the Village and posting activity within the proper funds. These adjustments were posted to the financial statements and to the accounting records, as summarized below:

**VILLAGE OF GALENA
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-001 (Continued)

Material Weakness – Financial Statement Presentation (Continued)

<i>Posting Errors</i>	<i>2016</i>
Incorrect advance amounts were posted to the Special Revenue Fund rather than in a Capital Project Fund for the Clean Ohio Trails Grant	\$ 154,988
Incorrect transfer amounts were posted to the Special Revenue Fund rather than the Capital Project Fund for the Clean Ohio Trails Grant	\$ 5,000
Clean Ohio Trails disbursements were posted to the General Fund rather than the Capital Project Fund	\$ 81,650
The matching requirement for the Clean Ohio Trails grant was posted to the General Fund rather than the Capital Project Fund	\$ 34,000
The Clean Ohio Trails receipts were posted to the Miscellaneous line item in the Special Revenue Fund rather than posted to Intergovernmental Revenue line item within the Capital Projects Fund	\$ 59,956
Intergovernmental receipts for the Clean Ohio Trails Grant were posted to the Special Revenue Fund rather than the Capital Projects Fund	\$ 5,000
Clean Ohio Trails disbursements were posted to the Special Revenue Fund rather than the Capital Projects Fund	\$ 172,294
On-behalf-of receipts and disbursements associated with the Galena Brick Trail project were not posted within Village accounting system and should be reflected in the Capital Projects Fund.	\$ 38,190
The Clean Ohio Trails Grant Intergovernmental on-behalf-of receipts and disbursements for the Clean Ohio Trails Grant were not posted to the Village's accounting system and should be reflected in the Capital Projects Fund.	\$ 38,403
<i>Posting Errors</i>	<i>2015</i>
Disbursements for the Clean Ohio Trails Grant were posted in the General Fund rather than the Capital Projects Fund	\$ 11,000
Community Block Development Block Grant disbursements were posted to the General and Capital Projects Funds rather than in a Special Revenue Fund (Federal Fund)	\$ 14,060
Community Block Development Block Grant on-behalf-of receipts & disbursements were not posted to the Village accounting system and should be reflected in the Special Revenue Fund.	\$ 90,300
OPWC on-behalf-of receipts and disbursements were not posted to the Village accounting system and should be reflected in the Capital Projects Fund.	\$ 25,954
Clean Ohio Trails on-behalf-of receipts and disbursements were not posted to the Village accounting system and should be reflected in the Capital Projects Fund.	\$ 30,000

VILLAGE OF GALENA
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-001 (Continued)

Material Weakness – Financial Statement Presentation (Continued)

In addition to the adjustments listed above, we also identified two misstatements ranging from \$104 to \$3,747 that we have brought to the Village's attention.

Presenting inaccurate financial information resulted in significant modifications to Village's financial statements.

We recommend the Village develop policies and procedures to enhance controls over recording transactions and financial reporting to help ensure information accurately reflects the activity of the Village increasing the reliability of the financial data throughout the year.

Officials' Response: See corrective action plan.

FINDING NUMBER 2016-002

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 2016 and 2015, the Village did not properly account for the State grant, "Clean Ohio Trails", and in 2015 the Federal, Community Development Block Grant (CDBG). 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 General and Special Revenue Funds. When reporting activity associated with CDBG, activity was reported erroneously in the General and Capital Projects Funds rather than the Federal Grants Fund (Special Revenue).

In both fiscal years 2016 and 2015, monies/benefits received and expended (referred to as on-behalf-of receipts and disbursements) associated with the Clean Ohio Trails, Community Development Block Grant (CDBG), and OPWC were not recorded in the Village's accounting system totaling \$330,537 in 2016 and \$171,314 in 2015. As identified in Finding 2016-001, adjustments were required to fairly state the Village's financial statements due to the inaccurate reporting.

VILLAGE OF GALENA
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)

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

FINDING NUMBER 2016-002 (Continued)

Material Weakness/Material Non-Compliance- On-Behalf and Grant Activity (Continued)

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 as identified in finding 2016-001, 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: See corrective action plan.

Village of Galena

P.O. Box 386
109 Harrison Street
Galena, Ohio 43021
(740) 965-2484

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001 2012-001	Financial Statement Presentation for both fiscal year 2014 and 2013. First issued in 2006.	Not corrected repeated as finding 2016-001	Additional corrective actions identified on page 24.
2014-002 2012-002	OPWC On Behalf Transactions. First issued in 2012.	Not corrected repeated as finding 2016-002	Additional corrective actions identified on page 24.
2014-003	Capital Project Fund Expenditures	Corrective Action Taken and Finding is Fully Corrected	Finding is no longer valid, Municipal building fund was not utilized in the manner identified during the 12/31/2014 financial audit.

**Village of Galena
P.O. Box 386
109 Harrison Street
Galena, Ohio 43021
(740) 965-2484**

**CORRECTIVE ACTION PLAN
DECEMBER 31, 2016 AND 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Employees at the Village will begin attending additional training, and seek the aide of Local Government Services when postings for receipts and disbursements effective November of 2017.	1/1/2018	Marty Mazzie, Michelle Dearth, Suzanne Rease
2016-001	The fiscal officer will meet with the Village Council to create a system of increased internal controls over financial reporting. The design of increased controls is currently in progress.	1/1/2018	Marty Mazzie, Michelle Dearth, Suzanne Rease



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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
NOVEMBER 28, 2017