



**Auditor of State  
Betty Montgomery**



**GALLIA COUNTY**  
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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Gallia County  
18 Locust Street  
Gallipolis, Ohio 45631

To the Board of County Commissioners:

We have audited the accompanying general-purpose financial statements of Gallia County, Ohio (the County), as of and for the year ended December 31, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of Gallico Industries, Inc. or the Gallia-Meigs Regional Airport, discretely presented component units. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for Gallico Industries, Inc. and the Gallia-Meigs Regional Airport, are based on the reports of the other auditor.

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

In our opinion, based on our audit and the report of another auditor, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Gallia County, as of December 31, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2003 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 18, 2003

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**GALLIA COUNTY, OHIO**  
 Combined Balance Sheet  
 All Fund Types, Account Groups  
 and Discretely Presented Component Units  
 As of December 31, 2002

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>Assets and Other Debits:</b>					
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$524,981	\$3,501,905	\$0	\$9,248	\$483,778
Cash and Cash Equivalents in Segregated Accounts	0	25,017	0	0	0
Investments in Segregated Accounts	0	0	0	0	0
Receivables:					
Taxes	430,482	107,591	0	0	0
Accounts	24,457	355,021	0	2,440	29,503
Accrued Interest	839	0	0	0	0
Interfund	132,047	0	0	0	0
Special Assessments	0	0	0	0	0
Due from Other Funds	1,478,563	715,873	0	0	27,396
Due from Other Governments	382,650	4,165,266	0	0	0
Materials and Supplies					
Inventory	2,261	223,362	0	0	0
Prepaid Items	51,788	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0	5,139,764
<b>Other Debits:</b>					
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$3,028,068</b>	<b>\$9,094,035</b>	<b>\$0</b>	<b>\$11,688</b>	<b>\$5,680,441</b>

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



FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only) Primary Government	COMPONENT UNITS		Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations		Gallco Industries, Inc.	Gallia-Meigs Regional Airport	
\$2,176,769	\$0	\$0	\$6,696,681	\$0	\$4,436	\$6,701,117
247,266	0	0	272,283	117,550	201	390,034
1,157,697	0	0	1,157,697	0	0	1,157,697
17,151,708	0	0	17,689,781	0	0	17,689,781
120,244	0	0	531,665	6,009	400	538,074
0	0	0	839	0	0	839
0	0	0	132,047	0	0	132,047
5,607	0	0	5,607	0	0	5,607
638,239	0	0	2,860,071	0	0	2,860,071
131,443	0	0	4,679,359	0	0	4,679,359
0	0	0	225,623	5,260	9,846	240,729
0	0	0	51,788	0	0	51,788
0	16,254,497	0	21,394,261	18,292	243,760	21,656,313
0	0	2,203,681	2,203,681	0	0	2,203,681
<u>\$21,628,973</u>	<u>\$16,254,497</u>	<u>\$2,203,681</u>	<u>\$57,901,383</u>	<u>\$147,111</u>	<u>\$258,643</u>	<u>\$58,307,137</u>

(Continued)

**GALLIA COUNTY, OHIO**  
 Combined Balance Sheet  
 All Fund Types, Account Groups  
 and Discretely Presented Component Units  
 As of December 31, 2002

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPE
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<b>Liabilities, Fund Equity and Other Credits:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$74,457	\$274,983	\$0	\$0	\$2,872
Contracts Payable	0	0	0	0	3,287
Accrued Wages and Benefits	30,793	54,239	0	0	0
Compensated Absences Payable	22,337	71,123	0	0	10,404
Notes Payable	0	64,200	0	17,171	1,908,000
Due to Other Funds	0	94,977	0	0	0
Due to Other Governments	196,921	511,093	0	0	6,265
Deferred Revenue	1,730,703	2,848,640	0	0	0
Undistributed Monies	0	0	0	0	0
Deposits Held and Due to Others	0	0	0	0	0
G.O. Bonds Payable	0	0	0	0	0
Capital Leases Payable	0	0	0	0	0
Accrued Interest Payable	0	2,114	0	247	71,981
OPWC Loan Payable	0	0	0	0	224,250
Interfund Payable	0	132,047	0	0	0
<b>Total Liabilities</b>	<b>2,055,211</b>	<b>4,053,416</b>	<b>0</b>	<b>17,418</b>	<b>2,227,059</b>
<b>Fund Equity and Other Credits:</b>					
Investments in Fixed Assets	0	0	0	0	0
<b>Fund Equity:</b>					
<b>Contributed Capital:</b>					
Governmental Funds	0	0	0	0	2,575,458
Capital Grants	0	0	0	0	92,313
<b>Retained Earnings (Deficit):</b>					
Unreserved	0	0	0	0	785,611
<b>Fund Balance:</b>					
Reserved for Inventory	2,261	223,362	0	0	0
Reserved for Prepaid Items	51,788	0	0	0	0
Reserved for Encumbrances	40,170	403,104	0	0	0
Reserved for Unclaimed Monies	69,472	0	0	0	0
<b>Unreserved:</b>					
Undesignated (Deficit)	809,166	4,414,153	0	(5,730)	0
<b>Total Fund Equity (Deficit) and Other Credits</b>	<b>972,857</b>	<b>5,040,619</b>	<b>0</b>	<b>(5,730)</b>	<b>3,453,382</b>
<b>Total Liabilities and Fund Equity and Other Credits</b>	<b>\$3,028,068</b>	<b>\$9,094,035</b>	<b>\$0</b>	<b>\$11,688</b>	<b>\$5,680,441</b>

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

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only) Primary Government	COMPONENT UNITS		Totals (Memorandum Only) Reporting Entity
	General Fixed Assets	General Long-Term Obligations		Gallco Industries, Inc.	Gallia-Meigs Regional Airport	
\$2,125	\$0	\$0	\$354,437	\$186	\$0	\$354,623
0	0	0	3,287	0	0	3,287
0	0	0	85,032	0	0	85,032
0	0	1,219,203	1,323,067	0	0	1,323,067
0	0	0	1,989,371	0	0	1,989,371
2,765,094	0	0	2,860,071	0	0	2,860,071
14,537,941	0	0	15,252,220	0	0	15,252,220
0	0	0	4,579,343	0	0	4,579,343
4,174,387	0	0	4,174,387	0	0	4,174,387
96,151	0	0	96,151	0	0	96,151
0	0	840,000	840,000	0	0	840,000
0	0	144,478	144,478	0	0	144,478
0	0	0	74,342	0	0	74,342
0	0	0	224,250	0	0	224,250
0	0	0	132,047	0	0	132,047
21,575,698	0	2,203,681	32,132,483	186	0	32,132,669
0	16,254,497	0	16,254,497	0	0	16,254,497
0	0	0	2,575,458	0	44,844	2,620,302
0	0	0	92,313	0	0	92,313
0	0	0	785,611	0	213,799	999,410
0	0	0	225,623	0	0	225,623
0	0	0	51,788	0	0	51,788
0	0	0	443,274	0	0	443,274
0	0	0	69,472	0	0	69,472
53,275	0	0	5,270,864	146,925	0	5,417,789
53,275	16,254,497	0	25,768,900	146,925	258,643	26,174,468
\$21,628,973	\$16,254,497	\$2,203,681	\$57,901,383	\$147,111	\$258,643	\$58,307,137

**GALLIA COUNTY, OHIO**  
 Combined Statement of Revenues, Expenditures  
 And Changes in Fund Balances  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Year Ended December 31, 2002

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<b>Revenues:</b>						
Taxes	\$4,862,899	\$1,322,445	\$0	\$0	\$0	\$6,185,344
Charges for Services	872,238	1,313,184	0	0	0	2,185,422
Fees, Licenses and Permits	3,793	0	0	0	0	3,793
Fines and Forfeitures	21,358	17,265	0	0	0	38,623
Intergovernmental	278,611	12,901,613	0	157,820	0	13,338,044
Investment Income	348,952	45,348	0	0	487	394,787
Other	431,348	2,099,447	33,322	18,096	31,029	2,613,242
<i>Total Revenues</i>	6,819,199	17,699,302	33,322	175,916	31,516	24,759,255
<b>Expenditures:</b>						
Current:						
General Government:						
Legislative and Executive	1,485,132	296,117	0	0	0	1,781,249
Judicial	796,038	175,769	0	0	0	971,807
Public Safety	2,025,645	1,669,812	0	0	0	3,695,457
Public Works	90,960	4,379,080	0	222,070	0	4,692,110
Health	55,058	3,157,782	0	0	0	3,212,840
Human Services	253,317	8,134,754	0	0	23,609	8,411,680
Other	1,423,880	0	0	0	0	1,423,880
Capital Outlay	22,686	0	0	0	0	22,686
Debt Service:						
Principal Retirement	5,137	37,592	225,000	0	0	267,729
Interest and Fiscal Charges	58	15,002	56,712	834	0	72,606
<i>Total Expenditures</i>	6,157,911	17,865,908	281,712	222,904	23,609	24,552,044
Excess of Revenues Over (Under) Expenditures	661,288	(166,606)	(248,390)	(46,988)	7,907	207,211
<b>Other Financing Sources (Uses):</b>						
Inception of Capital Lease	22,686	0	0	0	0	22,686
Operating Transfers - In	0	282,698	248,390	0	0	531,088
Operating Transfers - Out	(531,088)	0	0	0	0	(531,088)
<i>Total Other Financing Sources (Uses)</i>	(508,402)	282,698	248,390	0	0	22,686
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	152,886	116,092	0	(46,988)	7,907	229,897
Fund Balances at Beginning of Year (Restated - Note 26)	831,818	4,963,365	0	41,258	45,368	5,881,809
Increase (Decrease) in Reserve for Inventory	(11,847)	(38,838)	0	0	0	(50,685)
Fund Balance (Deficit) at End of Year	\$972,857	\$5,040,619	\$0	(\$5,730)	\$53,275	\$6,061,021

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

**GALLIA COUNTY, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Year Ended December 31, 2002

	GENERAL		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$4,890,378	\$4,890,378	\$0
Charges for Services	851,098	851,098	0
Fees, Licenses and Permits	3,793	3,793	0
Fines and Forfeitures	20,449	20,449	0
Intergovernmental	192,260	192,260	0
Interest	348,113	348,113	0
Other	592,774	592,774	0
<i>Total Revenues</i>	6,898,865	6,898,865	0
<b>Expenditures:</b>			
Current:			
General Government:			
Legislative and Executive	1,610,749	1,538,607	72,142
Judicial	812,164	789,360	22,804
Public Safety	2,085,997	2,033,139	52,858
Public Works	92,791	91,718	1,073
Health	62,166	62,165	1
Human Services	314,153	261,519	52,634
Other	2,481,624	1,469,258	1,012,366
<i>Total Expenditures</i>	7,459,644	6,245,766	1,213,878
Excess of Revenues Over Expenditures	(560,779)	653,099	1,213,878
<b>Other Financing Sources (Uses):</b>			
Advances - In	2,631	2,631	0
Advances - Out	0	(132,047)	(132,047)
Operating Transfers - Out	0	(531,088)	(531,088)
<i>Total Other Financing Sources (Uses)</i>	2,631	(660,504)	(663,135)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(558,148)	(7,405)	550,743
Fund Balance at Beginning of Year	411,103	411,103	0
Fund Balance at End of Year	(\$147,045)	\$403,698	\$550,743
The notes to the financial statements are an integral part of this statement.			(Continued)

**GALLIA COUNTY, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Year Ended December 31, 2002  
 (Continued)

	SPECIAL REVENUE		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes	\$1,331,775	\$1,331,775	\$0
Charges for Services	1,361,696	1,361,696	0
Fines and Forfeitures	15,294	15,294	0
Intergovernmental	11,011,835	11,011,835	0
Interest	42,738	42,738	0
Other	2,891,178	2,891,178	0
<i>Total Revenues</i>	16,654,516	16,654,516	0
<b>Expenditures:</b>			
Current:			
General Government:			
Legislative and Executive	414,601	303,302	111,299
Judicial	195,172	180,312	14,860
Public Safety	2,289,160	1,750,904	538,256
Public Works	6,393,287	4,510,297	1,882,990
Health	3,499,818	3,193,591	306,227
Human Services	9,850,899	8,519,974	1,330,925
Debt Service:			
Principal Retirement	0	29,953	(29,953)
Interest and Fiscal Charges	0	4,460	(4,460)
<i>Total Expenditures</i>	22,642,937	18,492,793	4,150,144
Excess of Revenues Over (Under) Expenditures	(5,988,421)	(1,838,277)	4,150,144
<b>Other Financing Sources (Uses):</b>			
Advances - In	132,047	132,047	0
Advances - Out	(2,630)	(2,631)	(1)
Operating Transfers - In	282,698	282,698	0
<i>Total Other Financing Sources (Uses)</i>	412,115	412,114	(1)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(5,576,306)	(1,426,163)	4,150,143
Fund Balance at Beginning of Year	4,368,783	4,368,783	0
Fund Balance at End of Year	(\$1,207,523)	\$2,942,620	\$4,150,143

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

(Continued)

**GALLIA COUNTY, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Year Ended December 31, 2002  
 (Continued)

	DEBT SERVICE		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
Other Revenues	\$33,322	\$33,322	\$0
<i>Total Revenues</i>	33,322	33,322	0
<b>Expenditures:</b>			
Debt Service:			
Payment on Principal	225,000	225,000	0
Interest and Fiscal Charges	56,712	56,712	0
<i>Total Expenditures</i>	281,712	281,712	0
Excess of Revenues Under Expenditures	(248,390)	(248,390)	0
<b>Other Financing Sources (Uses):</b>			
Operating Transfers - In	248,390	248,390	0
<i>Total Other Financing Sources (Uses)</i>	248,390	248,390	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	\$0	\$0	\$0

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

(Continued)

**GALLIA COUNTY, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balances - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Year Ended December 31, 2002  
 (Continued)

	CAPITAL PROJECTS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Intergovernmental	\$222,070	\$222,070	\$0
Other	17,111	17,111	0
<i>Total Revenues</i>	239,181	239,181	0
<b>Expenditures:</b>			
Public Works	222,070	222,070	0
Debt Service:			
Payment on Principal	16,666	16,666	0
Interest and Fiscal Charges	1,395	1,352	43
Total Debt Service	18,061	18,018	43
<i>Total Expenditures</i>	240,131	240,088	43
Excess of Revenues Over/(Under) Expenditures	(950)	(907)	43
Fund Balance at Beginning of Year	10,155	10,155	0
Fund Balance at End of Year	\$9,205	\$9,248	\$43

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

(Continued)



**GALLIA COUNTY, OHIO**  
 Combined Statement of Revenues, Expenditures and Changes  
 In Fund Balance - Budget (Non-GAAP Basis) and Actual  
 All Governmental Fund Types and Expendable Trust Fund  
 For the Year Ended December 31, 2002  
 (Continued)

	EXPENDABLE TRUST		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Interest	\$1,143	\$1,143	\$0
Other Revenues	31,029	31,029	0
<i>Total Revenues</i>	32,172	32,172	0
<b>Expenditures:</b>			
Current:			
Human Services	35,000	25,076	9,924
<i>Total Expenditures</i>	35,000	25,076	9,924
Excess of Revenues Over/(Under) Expenditures	(2,828)	7,096	9,924
Fund Balance at Beginning of Year	48,304	48,304	0
Fund Balance at End of Year	\$45,476	\$55,400	\$9,924

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

**GALLIA COUNTY, OHIO**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity  
 Proprietary Fund Type and Discretely Presented Component Units  
 For the Year Ended December 31, 2002

	PROPRIETARY	COMPONENT UNITS		Totals (Memorandum Only)
	FUND TYPE	Gallco Industries, Inc.	Gallia-Meigs Regional Airport	
	Enterprise			
<b>Operating Revenues:</b>				
Charges for Services	\$170,892	\$37,675	\$101,562	\$310,129
Other Operating Revenues	0	61,891	2,320	64,211
<i>Total Operating Revenues</i>	170,892	99,566	103,882	374,340
<b>Operating Expenses:</b>				
Salaries	57,286	21,038	0	78,324
Fringe Benefits	16,153	1,609	0	17,762
Materials and Supplies	13,056	745	81,879	95,680
Depreciation	155,318	4,275	10,889	170,482
Contractual Services	818,088	10,705	23,210	852,003
Other	13,900	60,180	14,062	88,142
<i>Total Operating Expenses</i>	1,073,801	98,552	130,040	1,302,393
Operating Income (Loss)	(902,909)	1,014	(26,158)	(928,053)
<b>Non-Operating Revenues (Expenses):</b>				
Other Non-Operating Revenues	160,679	0	0	160,679
Other Non-Operating Expenses	(924)	0	0	(924)
Interest and Fiscal Charges	(88,187)	0	0	(88,187)
Grants	522,606	0	27,600	550,206
<i>Total Non-Operating Revenues (Expenses)</i>	594,174	0	27,600	621,774
Net Income (Loss)	(308,735)	1,014	1,442	(306,279)
Retained Earnings at Beginning of Year (Restated - Note 26)	1,094,346	145,911	212,357	1,452,614
Retained Earnings at End of Year	785,611	146,925	213,799	1,146,335
Contributed Capital at Beginning of Year	2,667,771	0	44,844	2,712,615
Contributed Capital at End of Year	2,667,771	0	44,844	2,712,615
Total Fund Equity at End of Year	\$3,453,382	\$146,925	\$258,643	\$3,858,950

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

**GALLIA COUNTY, OHIO**  
 Combined Statement of Revenues, Expenses and  
 Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual -  
 Proprietary Fund Type  
 For the Fiscal Year Ended December 31, 2002

	ENTERPRISE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Charges for Services	\$224,755	\$224,755	\$0
<i>Total Revenues</i>	224,755	224,755	0
<b>Expenses:</b>			
Salaries	58,476	56,842	1,634
Fringe Benefits	10,368	10,368	0
Materials and Supplies	13,056	13,056	0
Contractual Services	1,289,832	826,700	463,132
Capital Outlay	11,000	11,000	0
Other	13,900	13,900	0
<i>Total Expenses</i>	1,396,632	931,866	464,766
Operating Income (Loss)	(1,171,877)	(707,111)	464,766
<b>Non-Operating Revenues (Expenses):</b>			
Other Non-Operating Revenues	160,679	160,679	0
Other Non-Operating Expenses	(924)	(924)	0
Operating Grants	522,606	522,606	0
Principal Payments	(30,500)	(24,750)	5,750
Interest and Fiscal Charges	(86,715)	(85,716)	999
Total Non-Operating Revenues (Expenses)	565,146	571,895	6,749
Net Income (Loss)	(606,731)	(135,216)	471,515
Retained Earnings at Beginning of Year	605,857	605,857	0
Retained Earnings/(Deficit) at Year End	(\$874)	\$470,641	\$471,515

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

**GALLIA COUNTY, OHIO**  
 Combined Statement of Cash Flows  
 Proprietary Fund Type and Discretely Presented Component Units  
 For the Year Ended December 31, 2002

	PROPRIETARY			Totals (Memorandum Only)
	FUND TYPE	COMPONENT UNITS		
	Enterprise	Gallo Industries, Inc.	Gallia-Meigs Regional Airport	
<b><i>Increase (Decrease) in Cash and Cash Equivalents:</i></b>				
<b><i>Cash Flows from Operating Activities:</i></b>				
Cash Received from Customers	\$224,755	\$18,736	\$102,213	\$345,704
Cash Received from Other Operating Sources	0	20,345	2,140	22,485
Cash Payments to Suppliers for Goods and Services	(851,519)	(14,843)	(133,864)	(1,000,226)
Cash Payments to Employees for Services	(56,842)	(21,038)	0	(77,880)
Cash Payments for Employee Benefits	(10,368)	(1,609)	0	(11,977)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<i>(693,974)</i>	<i>1,591</i>	<i>(29,511)</i>	<i>(721,894)</i>
<b><i>Cash Flows from Capital and Related Financing Activities:</i></b>				
Payments for Capital Acquisitions	0	(3,393)	0	(3,393)
Principal Payments	(24,750)	0	0	(24,750)
Interest Payments	(85,716)	0	0	(85,716)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<i>(110,466)</i>	<i>(3,393)</i>	<i>0</i>	<i>(113,859)</i>
<b><i>Cash Flows From Noncapital Financing Activities:</i></b>				
Operating Grants	522,606	0	27,600	550,206
Other Non-Operating Revenue	159,755	0	0	159,755
<i>Net Cash Provided by Noncapital and Related Financing Activities</i>	<i>682,361</i>	<i>0</i>	<i>27,600</i>	<i>709,961</i>
Net Increase (Decrease) in Cash and Cash Equivalents	(122,079)	(1,802)	(1,911)	(125,792)
Cash and Cash Equivalents at Beginning of Year (Restated - Note 28)	605,857	119,352	6,548	731,757
Cash and Cash Equivalents at End of Year	\$483,778	\$117,550	\$4,637	\$605,965
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i></b>				
Operating Income (Loss)	(\$902,909)	\$1,014	(\$26,158)	(\$928,053)
<b><i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</i></b>				
Depreciation	155,318	4,275	10,889	170,482
Changes in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	14,660	(919)	(65)	13,676
(Increase)/Decrease in Due from Other Funds	39,203	0	0	39,203
(Increase)/Decrease in Materials and Supplies Inventory	0	(2,757)	(5,181)	(7,938)
Increase/(Decrease) in Accounts Payable	(9,762)	(22)	(8,881)	(18,665)
Increase/(Decrease) in Contracts Payable	3,287	0	0	3,287
Increase/(Decrease) in Compensated Absences Payable	444	0	0	444
Increase/(Decrease) in Deferred Revenue	0	0	(115)	(115)
Increase/(Decrease) in Due to Other Governments	5,785	0	0	5,785
Total Adjustments	208,935	577	(3,353)	206,159
Net Cash Provided by (Used for) Operating Activities	(\$693,974)	\$1,591	(\$29,511)	(\$721,894)

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

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION**

Gallia County, Ohio (The County), was created in 1803. The County is governed by a board of three Commissioners elected by the voters of the County. Other elected officials who manage various segments of the County's operations are the auditor, treasurer, recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, a common pleas court judge and a probate/juvenile court judge.

Although the elected officials manage the internal operation of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrator of public services for the County, including each of these departments.

**Reporting Entity:**

The County utilizes Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Gallia County this includes the Children's Service Board, the Board of Mental Retardation and Developmental Disabilities, and Human Services Department and all departments and activities that are operated directly by the elected County officials.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of , or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt or the levying of taxes.

***Discretely Presented Component Units.*** The component unit columns in the combined financial statement identify the financial data of the County's component units, Gallco Industries, Inc. and the Gallia-Meigs Regional Airport. They are reported separately to emphasize that they are legally separate from the County.

***Gallco Industries, Inc.*** Gallco Industries, Inc. is a legally separate, not-for-profit corporation organized under Chapter 1702 O.R.C. and classified as a 501(C)(3) non-profit corporation. Gallco Industries, Inc., under a contractual agreement with Gallia County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped adults in Gallia County. Based on the significant services and resources provided by the County to Gallco Industries, Inc. and their sole purpose of providing assistance to the retarded and handicapped adults of Gallia County, Gallco Industries, Inc. is reflected as a component unit of Gallia County. Gallco Industries, Inc. operates on a calendar year basis. The operating statement of Gallco Industries, Inc. is presented at the object level. Gallco Industries, Inc. is required only to report operating information at the program level; however, since it operates under a single program, object level information is presented to provide more comprehensive financial information. Complete audited financial statements of the component unit can be obtained from the offices of Gallco Industries, Inc., Post Office Box 14, Chesire, Ohio 45620.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

***Gallia-Meigs Regional Airport*** The Gallia-Meigs Regional Airport operates under a separate board that consists of seven members. Three members are appointed by Meigs County and four members are appointed by Gallia County. The Gallia County Commissioners approve the budget, approve expenditures, fund deficits and are directly responsible for the debt. All of the land and fixed assets at the airport belong to the County with the exception of a new runway lighting system purchased in 1996. The Airport rents the facilities from the County. A manager contracted by the airport authority board operates as a fixed based operator. The Airport generates revenue from sales and rental space. Grants are applied for in the airport authority's name. Meigs County does not contribute financially to the Airport operations. The operating statement of the Airport is presented at the object level. The Airport is required only to report operating information at the program level; however, since it operates under a single program, object level information is presented to provide more comprehensive financial information. Financial statements are audited and issued as part of Gallia County and are not obtainable separately.

As the custodian of public funds, the county treasurer invests all public monies held on deposit in the county treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations nor are they fiscally dependent on the County. Accordingly, the activity of the following districts and agencies will be presented as agency funds with Gallia County's financial statements.

***Gallia County Health Department*** is governed by nine member Board of Health which oversees the operation of the Health District. The Board is elected by a District Advisory Council comprised of township trustees, county commissioners and mayors of participating municipalities. The Board adopts its own budget and hires and fires its own staff. The Board has sole budgetary authority, and controls surpluses and deficits. The County is not legally obligated for the Health District's debt.

***Gallia County Soil and Water Conservation District*** is statutorily created as a separate and distinct political subdivision of the State. The five Supervisors of the Soil and Water Conservation District are elected officials authorized to contract and sue on behalf of the District. The Supervisors adopt their own budget, authorize District expenditures, hire and fire staff, and do not rely on the County to finance deficits.

***Local Emergency Planning Committee (LEPC)*** of Gallia County is a single county district. The State Emergency Response Commission designates Emergency Planning Districts within the state. The committee members are recommended by the County Commissioners for approval by the State Emergency Response Commission. The LEPC receives operating resources in the form of grants from the State. The activities of the LEPC are accounted for as an agency fund of the County. The County has no ability to impose its will on the organization. No benefit/burden relationship exists. The County's accountability ceases with the recommendation of appointments of Committee.

***Gallia County Law Library*** is operated under a separate board of directors, who currently consist of the common pleas judge, a practicing attorney and the Gallipolis City solicitor, all appointed by the Gallia County Bar Association. Although the County contributes to the operation of the Law Library, the County is not involved in the selection of trustees or management of the Law Library or in the authorization of expenditures.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

*Ohio Valley Visitors Center* is a private non-profit organization that is governed by a four member Executive Committee and a ten member Board of Trustees. The Board of Trustees is comprised of representatives from local tourist attractions. The Board of Trustees is nominated by the nominating committee. The nominating committee consists of two members from the Board of Trustees and the Advisory Committee members. The Advisory Committee consists of twenty members from local tourist attractions and one County Commissioner. The Advisory Committee's purpose is to advise and to inform the center on any new ideas and attractions coming to the area. The Board of Trustees is responsible for electing new Executive Committee members. The Executive Committee is responsible for the daily operations of the Visitors Center. The Visitors Center receives funding in the form of a hotel and motel excise tax in the amount of three percent of all transactions occurring within the boundaries of Gallia County. The tax is collected and distributed by Gallia County. Although the County collects and distributes the excise tax, this function is strictly ministerial. The County is not financially accountable for the Visitors Center; the County cannot impose its will on the Visitors Center; and no financial benefit/burden relationship exists between the County and the Visitors Center.

The following potential component units have been excluded from the County's financial statements because the County is not financially accountable for these organizations nor are these entities for which the County approves the budget, the issuance of debt, or the levying of taxes:

- Gallia County Agricultural Society
- Gallia County Historical Society
- Gallia County Cooperative Extension Services
- Gallia County Rural Water Association
- Community Improvement Corporation
- Gallia County Board of Education
- Gallia-Jackson-Vinton Joint Vocational School
- Gallia, Jackson, Vinton ABLE Center
- Gallia, Jackson and Vinton Retired and Senior Volunteer Program
- Gallia County Council on Aging Senior Center
- Gallia County Animal Welfare, Inc.

The County is associated with certain organizations which are defined as Jointly Governed Organizations, Related Organizations or Risk Management Pools. These organizations are presented in Note 19, Note 20, and Note 25 to the general purpose financial statements. These organizations are:

- Joint Solid Waste Management District
- Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and  
Mental Health Services Board (ADAMH)
- Gallia-Jackson-Meigs Counties Cluster  
Area Office on Aging
- Private Industry Council
- Southeastern Ohio Corrections Commission
- Gallia-Meigs Community Action Agency
- Gallia-Jackson Child Abuse and Neglect Advisory Board

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

O.O. McIntyre Park District  
Bossard Memorial Library  
Gallia Metropolitan Housing Authority  
County Risk Sharing Authority (CORSA)  
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The Gallia-Jackson Child Abuse and Neglect Advisory Board, Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental Health Services Board (ADAMH), and the O.O. Mc Intyre Park District are presented as agency funds of the County because the County Auditor serves as the fiscal agent for these organizations.

**Fund Accounting:**

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes herein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**Governmental Fund Types:** Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the County's governmental fund types:

**General Fund.** This fund is used to account for all financial resources of the County except those required to be accounted for in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds.** These funds are used to account for the proceeds of specific revenue sources (other than expendable trust or for major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund.** This fund is used to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest and related costs.

**Capital Projects Funds.** These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).



**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION** (Continued)

**Proprietary Fund Type:** The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type utilized by the County:

*Enterprise Funds.* These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Fiduciary Fund Types:** Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the County's fiduciary fund types:

*Agency Funds.* These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

*Expendable Trust Fund* This fund is accounted for in essentially the same manner as governmental funds.

**Account Groups:** To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group.* The General Fixed Assets Account Group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

*General Long-Term Obligations Account Group.* The General Long-Term Obligations Account Group is used to account for all long-term debt of the County, except that accounted for in the proprietary funds.

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

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to accounting principles generally accepted in the United States of America for local governmental units as prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources. The County applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989 to proprietary activities provided they do not conflict with Governmental Accounting Standards Board Statements and interpretations. Information in the notes to the general purpose financial statements relates in general to the primary government. Information related to the operation of Gallico Industries, Inc. and the Gallia-Meigs Regional Airport (component units) are specifically identified.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

***Measurement Focus and Basis of Accounting:*** The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

***Revenues-Exchange and Non-exchange Transactions*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 6.) Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, and grants.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. The modified accrual basis of accounting is used for governmental and trust and agency fund types.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Gallco Industries, Inc. is a non-profit corporation that follows the accounting guidelines set forth in GASB Statement No. 29, *The use of Not-For-Profit Accounting and Financial Reporting Principles by Governmental Entities*. Under GASB Statement No. 29, Gallco Industries, Inc. uses the governmental model for financial reporting. The not-for-profit corporation uses the full accrual method of accounting for its operations similar to the proprietary funds of the county.

The Gallia-Meigs Regional Airport has only one fund and accounts for its operations on a full accrual basis similar to the proprietary funds of the County.

***Budgetary Process:*** The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, legally are required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Budgetary modifications may only be made by resolution of the County Commissioners.

The Gallia-Meigs Regional Airport and Gallco Industries, Inc. (component units) are not reported because they are included in the entity for which "the appropriated budget" is adopted, and do not maintain budgetary financial records.

*Tax Budget:* A budget of estimated revenues and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 15 of each year, for the period January 1 to December 31 of the following year.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

*Estimated Resources:* The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include actual unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2002.

*Appropriations:* A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations by fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

*Budgeted Level of Expenditures:* Administrative control is maintained through the establishment of fund budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution without authority from the Commissioners. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners appropriations are made at the fund level.

*Encumbrances:* As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

*Lapsing of Appropriations:* At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

***Cash and Investments:*** Cash balances of the County's funds, except cash held by a trustee or fiscal agent and in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

During fiscal year 2002, Investments were limited to STAROhio and U.S. Savings Bonds.

Except for nonparticipating investments contracts, investments are reported at fair value which is based on quoted market prices. Non participating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The County has invested in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price of the investment could be sold for on December 31, 2002.

Interest is distributed to the General Fund, the Motor Vehicle Gas Tax Special Revenue Fund, and the Children's Service Expendable Trust Fund. Interest earned during 2002 amounted to \$394,787.

***Inventory of Supplies:*** Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the enterprise funds when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

***Prepaid Items:*** Payments made to vendors for services that will benefit periods beyond December 31, 2002, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

***Interfund Assets and Liabilities:*** Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet. Short-term interfund loans or the short-term portion of advances are classified as interfund receivables/payables.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

**Fixed Assets and Depreciation:** The fixed asset values initially were determined at December 31, 1991, assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at estimated fair market value on the date donated. The County has established \$500 as the threshold for which fixed assets are to be reported.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

*General Fixed Assets:* General fixed assets (fixed assets used in governmental fund type operation) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated. Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

*Enterprise Fund Fixed Assets:* Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	40 years
Improvements other the Buildings	40 years
Furniture & Fixtures	10-20 years
Machinery and Equipment	5-10 years
Vehicles	5 years

The Gallia-Meigs Airport (Component Unit) fixed asset values were determined at original acquisition costs when purchased. All of the land and fixed assets at the Airport belongs to the County except for the new lighting system that was completed in 1996. Depreciation for the system will be calculated on the straight line method over the estimated life of 40 years.

Complete fixed asset information is presented for Gallco Industries, Inc. (Component Unit). Fixed asset values were determined at original acquisition costs when purchased. Depreciation for Gallco Industries, Inc. is computed on the straight-line method over the estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Machinery & Equipment	3-7 years
Vehicles	5-7 years

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

***Compensated Absences:*** GASB Statement No. 16, *Accounting for Compensated Absences* specifies the methods used to accrue liabilities for leave benefits. Vacation leave benefits and compensatory times are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate employees for the benefits through paid time off or some other means. Sick leave benefits are accrued using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the County's termination policy.

For governmental funds, the County records a liability for accumulated unused vacation time and personal leave when earned for all employees with more than one year of service. The County records a liability for accumulated unused sick leave for employees with one to fifteen years of employment depending on the individual department's sick leave payment policy. The current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

In proprietary funds the entire amount of compensated absences is reported as a fund liability.

***Intergovernmental Revenues:*** For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, shared revenues, and entitlements are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants, entitlements or shared revenues received for enterprise fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

***Contributed Capital:*** Contributed capital represents resources from other funds, other governments, private sources, and tap-in fees, to the extent they exceed the cost of physical connection to the system, which have been provided to the enterprise funds and are not subject to repayment. Contributed capital was recorded by the County for receipts of capital grants or contributions prior to the implementation of GASB Statements No. 33 and 36 in 2001. Contributed capital of Gallia County has been entirely from governmental fund contributions and capital grants.

***Reserves of Fund Equity:*** The County records reservations for those portions of fund balance which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory of supplies, prepaid items, and for unclaimed monies. By law unclaimed monies are not available for appropriation until five years have elapsed.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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

**Long-Term Debt:** Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group.

**Interfund Transactions:** During the course of normal operations, the County has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Nonrecurring and non-routine transfers of equity between funds and the transfer of residual balances of discontinued funds or projects to the general fund or capital projects funds are classified as residual equity transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed.

**Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Total Columns on General Purpose Financial Statements:** Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that a component unit is included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component units (see Note 1). The "Total" column on statements which do not include a component have no additional caption.

**NOTE 3 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS**

While reporting financial position, results of operations, and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Budget (Non-GAAP) and Actual - All Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).



**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 3 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS (Continued)**

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for the enterprise funds (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. Revolving loans made to eligible businesses and individuals are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

Adjustments necessary to convert the results of operations at the end of the year on the Budget basis to the GAAP basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types			
	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$152,886	\$116,092	\$(46,988)	\$7,907
Increase(Decrease) to:				
Revenue Accruals	56,980	(1,044,786)	63,265	656
Expenditure Accruals	18,143	(70,631)	(17,184)	(1,467)
Encumbrances	(105,998)	(556,254)	0	0
Advances	(129,416)	129,416	0	0
Budget Basis	\$(7,405)	\$(1,426,163)	\$(907)	\$7,096

There were no differences between the budget basis and the GAAP basis in the Debt Service Fund.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 3 - CONVERSION OF OPERATIONS FROM BUDGET BASIS TO GAAP BASIS** (Continued)

Net Loss/Excess of Revenues Over Expenses, and Operating Transfers Proprietary Fund Type	
	<u>Enterprise</u>
GAAP Basis	\$ (308,735)
Increases (Decreases) Due To:	
Revenue Accruals	53,863
Expense Accruals	124,211
Encumbrances	<u>(4,555)</u>
Budget Basis	<u><u>\$(135,216)</u></u>

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**Accountability - Fund Balance/Retained Earning Deficits:** The following funds have a fund balance deficit as of December 31, 2002:

<b>Special Revenue Funds</b>	
COPS Fund	\$49
CDBG Fund	56,556
Dog and Kennel Fund	1,483
Sheriff's Traffic Enforcement Fund	837
<b>Capital Project Funds</b>	
Airport Construction	5,730
<b>Enterprise Funds</b>	
KAC Sewer	2,872

These deficits are a result of the application of accounting principles generally accepted in the United States of America to the financial reporting of these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. Short term advances and bond anticipation note proceeds used to finance the projects are not recognized as "other financing sources," but rather as a fund liability. The deficits will be eliminated when the notes are bonded and/or resources are provided for the retirement of the notes.

The following funds had appropriations in excess of estimated resources at December 31, 2002:

<i>General Fund</i>	\$147,045
<b>Special Revenue Funds</b>	
Dog & Kennel Fund	593
CDBG Fund	611,241
MVGT Fund	184,167
Community Corrections Fund	16,560
Sheriff Byrne Galvin Fund	52,609
Children Services Fund	70,479
Public Assistance Fund	841,148
MR/DD Fund	103,259
Gallia-Vinton TASC Fund	226,940
Victim's Assistance Fund	32,219
Serenity House Fund	4,849

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE** (Continued)

<i>Special Revenue Funds - Continued</i>	
Family Stability Incentive Fund	32,022
Emergency Medical Services Fund	158,644
Gallia Investigator Fund	2,806
Sheriff-VAWA Fund	3,676
State Domestic Prep. Equip. Fund	62,862
JAIBG Detention Fund	1,870
<i>Enterprise Funds</i>	
KAC Sewer	405,370

**NOTE 5 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the County into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

State statute permits interim monies to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand:** At year end, the County has \$25,351 in undeposited cash on hand which is included on the balance sheet of the County as part of "equity in pooled cash and cash equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

**Deposits:** At year end, the carrying amount of the County's deposits was \$7,792,459 and the bank balance was \$8,055,836. Of these amounts, \$4,637 of the deposits and the bank balance was held for Gallia-Meigs Regional Airport, a component unit of the County. Of the bank balance:

1. \$1,282,904 was covered by federal deposit insurance; and
2. \$6,772,932 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

**Investments:** The County's investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. The County's investment in STAROOhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value	Fair Value
	1	2	3		
<u>Investments:</u>					
U.S. Treasury					
Bonds	\$ 0	\$ 0	\$ 221,268	\$ 221,268	\$ 221,268
*STAROOhio	0	0	0	92,220	92,220
Total					
Investments	\$ 0	\$ 0	\$ 221,268	\$ 313,488	\$ 313,488

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

GASB 3 to GASB 9 Reconciliation

	Cash & Cash Equivalents	Investments
GASB 9 Balances	\$6,973,601	\$1,157,697
Cash on Hand	(25,351)	0
Certificates of Deposit	936,429	(936,429)
STAROOhio	(92,220)	92,220
GASB 3	\$7,792,459	\$ 313,488

**Component Units**

At year end, the carrying value of Gallico Industries, Inc. deposits was \$117,550 and the bank balance was \$119,773. Of the bank balance:

1. \$100,000 was covered by federal deposit insurance; and
2. \$19,773 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (Continued)

There are no statutory guidelines regarding the deposit and investment of funds by the not-for profit corporation. Cash and deposits of Gallico Industries, Inc. are presented on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" and "Investments in Segregated Accounts".

At year end, the carrying value of the Gallia-Meigs Regional Airport's deposits was \$201 and the bank balance was \$201. The entire bank balance was covered by federal deposit insurance. Cash and deposits of the Airport are presented on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" and "Equity in Pooled Cash and Cash Equivalents". The Airport's December 31, 2002 cash and cash equivalents balance of \$4,436 is maintained in the County's treasury and it is subject to the same investment guidelines as the primary government.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semiannually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2002. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2002 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided general tax agency fund are therefore offset by a credit to deferred revenue.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 6 - PROPERTY TAXES** (Continued)

The full tax rate for all County operations for the year ended December 31, 2002, was \$6.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>
Real Estate	\$309,040,200
Public Utility Personal Property	133,645,520
Tangible Personal Property	<u>41,657,819</u>
Total Property Taxes	<u>\$484,343,539</u>

**NOTE 7 - PERMISSIVE SALES TAX**

In 1967, in accordance with Section 5739.02 of the Ohio Revised Code, counties were authorized to levy an excise tax of one half to one percent. The tax must be levied pursuant to a resolution of the county commissioners and a copy of the resolution sent to the tax commissioner not later than 60 days prior to the effective date of the tax.

The tax commissioner shall, within forty-five days after the end of each month, certify to the director of budget and management the amount of the proceeds of such tax or taxes paid to the treasurer of state during that month to be returned to the county. The director then provides for payment to the county treasurer on or before the twentieth day of the month in which the certification is made.

On November 17, 1981, the county commissioners adopted by resolution a one half percent permissive sales tax as allowed by Sections 5739.026 and 5741.023, Revised Code. On December 29, 1994 the county commissioners, by recommendation of the State of Ohio Tax Commissioner, repealed one quarter of one percent of the one half of one percent permissive sales tax under Revised Code Sections 5739.026 and 5741.023 and replaced it with a one quarter of one percent under Revised Code Section 5739.021. On March 5, 1987, the county commissioners adopted by resolution a proposal for an additional one half percent permissive sales tax as allowed by Sections 5705.026 and 5705.023, Revised Code, which was voted upon at a special election held on May 5, 1987, at which time the proposal passed. On August 18, 1994, the county commissioners adopted by resolution a proposal for an addition on quarter of one percent sales and use tax, for the implementation of 9-1-1 for Gallia County, as allowed by Sections 5739.026 and 5741.023 of the Revised Code, which was voted upon on November 8, 1994, at which time the proposal passed. In 2002, the General fund received \$2,822,487 and the 9-1-1 special revenue fund received \$705,028 in sales and use tax revenue. Sales and use tax revenue is recognized when it is measurable and available.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2002, consisted of taxes, accounts (billings for user charged services, and delinquent child support payments), interest, special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full.

A summary of the principal items of intergovernmental receivables is as follows:

Fund / Type	Amount
<i>General Fund</i>	
Local Government	\$ 310,076
Homestead & Rollback	<u>72,574</u>
<i>Total General Fund</i>	<u>382,650</u>
<i>Special Revenue Funds</i>	
Gasoline Tax	1,483,671
Homestead & Rollback	15,565
Grants and Entitlements	<u>2,666,030</u>
<i>Total Special Revenue Funds</i>	<u>4,165,266</u>
<i>Agency Funds</i>	
Gasoline Tax	46,728
Local Government	83,243
Library and Local Government	<u>1,472</u>
<i>Total Agency Funds</i>	<u>131,443</u>
 <i>Total All Funds</i>	 <u><u>\$ 4,679,359</u></u>

**NOTE 9 - FEDERAL FOOD STAMP PROGRAM**

The County's Department of Job and Family Services distributes federal food stamps through contracting issuance centers to entitled recipients within Gallia County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the Department of Human Services merely acts in an intermediary capacity. The inventory value of these stamps is not reflected in the accompanying financial statements, as the only economic interest related to these stamps rests with the ultimate recipient. The County's Department of Job and Family Services had on hand for distribution approximately \$2,980 of federal food stamps at December 31, 2002.



**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 10 - FIXED ASSETS**

A summary of the enterprise funds, Gallco Industries, Inc., and Gallia-Meigs Regional Airport (Component Units) fixed assets at December 31, 2002, are as follows:

	Primary Government	Gallco Industries, Inc.	Gallia-Meigs Regional Airport
Land	\$0	\$0	\$54,244
Buildings	6,086,648	0	435,546
Machinery & Equipment	47,512	0	4,905
Furniture & Fixtures	0	44,232	0
Total	6,134,160	44,232	494,695
Less: Accumulated Depreciation	(994,396)	(25,940)	(250,935)
Net Fixed Assets	<u>\$5,139,764</u>	<u>\$18,292</u>	<u>\$243,760</u>

A summary of the changes in general fixed assets during 2002 is as follows:

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Land & Improvements	\$324,785	\$0	\$0	\$324,785
Buildings	6,112,557	0	0	6,112,557
Machinery & Equipment	3,493,447	1,688,056	88,950	5,092,553
Furniture & Fixtures	732,391	0	0	732,391
Vehicles	2,907,996	1,084,215	0	3,992,211
Total	<u>\$13,571,176</u>	<u>\$2,772,271</u>	<u>\$88,950</u>	<u>\$16,254,497</u>

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 11 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. By contracting with the County Risk Sharing Authority (CORSA) for liability, property, and crime insurance, the County has addressed these various types of risk.

The CORSA program has a \$2,500 deductible. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence. Other liability insurance includes \$1,000,000 for Ohio Stop Gap, which provides additional coverage beyond the State's workers' compensation program, \$1,000,000 for employee benefit liability, \$1,000,000 for law enforcement professional liability, \$1,000,000 for public official error and omission liability, \$1,000,000 for automobile liability, and \$250,000 for uninsured motorists liability.

In addition, the County maintains replacement cost insurance on buildings and contents in the amount of \$41,012,663. Other property insurance includes the following: \$1,000,000 for extra expense, \$1,928,335 for contractor's equipment and miscellaneous equipment, \$1,000,000 for valuable papers and records, book value for automobile physical damage, \$1,000,000,000 pool limit for flood earthquake damage. Comprehensive boiler and machinery coverage is carried in the amount of \$100,000,000.

The County also maintains crime insurance in the amount of \$1,000,000 on its food stamp program and on its monies and securities. Crime insurance for potential employee dishonesty is held in the amount of \$1,000,000. The County maintains a \$5,000,000 excess liability limit over and above the general liability, auto liability, law enforcement and public officials liabilities.

Also maintained is the insurance for medical and professional liability for the Mental Retardation and Developmental Disabilities employees at a coverage of \$6,000,000 for each claim.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

For 2002, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve lower worker's compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the plan. Each participant pays its worker's compensation premium to the State based on the rate for the Plan rather than its individual rate. In order to allocate the savings derived by formation of the Plan and to maximize the number of participants in the Plan, the Plan's executive committee annually calculates the total savings which accrued to the Plan through it information. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plan's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

The County may withdraw from the Plan if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Worker's Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the Plan prior to withdrawal, and any participant leaving the Plan allows the representative of the Plan to access less experience for three years following the last year of participation. A savings of approximately \$6,409 was realized on the annual premium cost.

With the exceptions of workers' compensation, health insurance, and life insurance, all insurance is held with CORSA. The County pays all elected official bonds by State statute.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 12 - DEFINED BENEFIT RETIREMENT PLANS**

***Ohio Public Employees Retirement System*** - All Gallia County full time employees (except for certified teachers) participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan created by the State of Ohio. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 42315-4642 or by calling (614) 466-6705 or 1-800-222-PERS(7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and public safety. The law enforcement classification consists of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. Public safety division members contribute at 9.0%. The 2002 employer contribution rate for local government employers was 13.55% of covered payroll. For both law enforcement and public safety, the employer rate was 16.70% of covered payroll.

Gallia County's contributions to OPERS for the years ending December 31, 2000, 2001, and 2002 were \$1,267,359, \$1,387,507, and \$1,311,111 respectively which are equal to the required contributions for each year.

***State Teachers Retirement System*** - The Gallia County Board of Mental Retardation and Developmental Disabilities contributes to the State Teachers Retirement System of Ohio (STRS) for all certified teachers, a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614)227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%.; 4.5% was the portion to fund the Health Care Reserve Fund. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Gallia County's contributions to STRS for the years ending December 31, 2000, 2001, and 2002 were \$71,818, \$59,864, and \$78,909 which are equal to the required contributions for each year.

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the State Teachers Retirement System have an option to choose social security or the Public Employees Retirement System/State Teachers Retirement System. As of December 31, 2002, none of the elected officials has elected social security.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System:*** The Ohio Public Employees Retirement (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement service is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2002 employer contribution rate that was used to fund health care for the year 2002 was \$483,805; 5% of covered payroll.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 13 - POSTEMPLOYMENT BENEFITS** (Continued)

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The investment assumption rate for 2001 was 8.00%

An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

Health care costs were assumed to increase 4.00% annually.

The number of active contributing participants was 402,041. \$11.6 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Accounts.

***State Teachers Retirement System:*** Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligations to contribute are established by STRS based on authority granted by State statute.

Benefits are funded on a pay-as-you-go basis. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll; 4.5% to fund the Health Care Reserve Fund. For Gallia County this amount equaled \$5,636 during 2002. The Health Care Reserve Fund allocation effective July 1, 2002 is 1% of covered payroll. The balance in the Health Care Reserve Fund was \$3.011 billion, on June 30, 2002. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefits recipients.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 14 - OTHER EMPLOYEE BENEFITS**

*Compensated Absences:* County employees earn vacation and sick leave at varying rates depending on length of service and departmental policy. All accumulated, unused vacation time is paid upon separation if the employee has at least one year of service with the County.

Accumulated, unused sick leave and compensatory time is paid to a terminated employee at varying rates depending on length of service and departmental policy. As of December 31, 2002, the liability for compensated absences was \$1,323,067 for the entire County.

**NOTE 15 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The County has entered into a capitalized lease for the acquisition of a copier and surveillance equipment. In previous years, the County entered into capitalized leases for the acquisition of two copiers. The terms of the agreement provide options to purchase the equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service in the General Purpose Financial Statements for the general fund, MR/DD, and the MVGT funds. These expenditures are reflected as program/object expenditures on a budgetary basis.

The Governmental funds' capital leases were recorded as assets in the GFAAG and liability in the GLTDAG. Governmental funds capital leases required the County to record the corresponding revenue and expenditure for the lesser of the fair market value or minimum lease payment at lease exceptions in the General, MR/DD, and the MVGT Funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2002.

Year Ending <u>December 31,</u>	<u>Long-Term Debt</u>
2003	50,794
2004	51,651
2005	49,980
2006	6,982
2007	<u>4,286</u>
Total Minimum Lease Payments	163,693
Less: Amount Representing Interest	<u>(19,215)</u>
Present Value of Minimum Lease Payments	<u><u>\$144,478</u></u>

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 16 - LONG-TERM DEBT**

The County's long-term obligations at year end consisted of the following:

<u>Types / Issues</u>	<u>Outstanding at 01/01/02</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding at 12/31/02</u>
<b><i>General Long-Term Obligations</i></b>				
Compensated Absences	\$1,132,704	\$ 86,499	\$ 0	\$1,219,203
Solid Waste Recycling 1998 4.95% General Obligation Bonds	270,000	0	20,000	250,000
Permanent Improvement 2000 5.75% General Obligation Bonds	395,000	0	5,000	390,000
Permanent Improvement 1999 5.10% General Obligation Bonds	400,000	0	200,000	200,000
Capital Leases	<u>164,521</u>	<u>22,686</u>	<u>42,729</u>	<u>144,478</u>
Total Long-Term Obligations	<u>\$2,362,225</u>	<u>\$109,185</u>	<u>\$267,729</u>	<u>\$2,203,681</u>
<b><i>Enterprise Funds</i></b>				
OPWC Loan 2002 - 0%	<u>\$ 230,000</u>	<u>\$ 0</u>	<u>\$ 5,750</u>	<u>\$ 224,250</u>

The County's general obligation bond issue for \$800,000 was issued for the purpose of constructing a building for the Gallia County Health Department. The debt will be retired from property taxes levied by the County.

The County's general obligation bond issue for \$400,000 was issued as a "wrap around" to the original \$800,000 for the purpose of adding an addition to the Gallia County Service Center. The debt will be retired from property taxes levied by the County.

The County's general obligation bond issue for \$337,500 was issued for the purpose of constructing a solid waste recycling center. The debt will be retired from recycling center.

The Ohio Public Works Commission (OPWC) loan is for utility construction projects. Property and revenue of the utility facilities have been pledged to repay this debt.

Annual debt service requirements to maturity for general obligation bonds, including interest of \$194,437, are as follows:

	<u>Long-Term Debt</u>
2003	\$ 270,000
2004	108,523
2005	104,370
2006	105,218
Thereafter	<u>446,326</u>
Total	<u>\$1,034,437</u>

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 16 - LONG-TERM DEBT** (Continued)

The annual requirement to amortize all enterprise fund debt outstanding as of December 31, 2002 are as follows:

	<u>Amount</u>
2003	\$5,750
2004	11,500
2005	11,500
2006	11,500
2007	11,500
2008-2012	57,500
2013-2017	57,500
Thereafter	<u>57,500</u>
Total	<u><u>\$224,250</u></u>

The County will pay compensated absences out of the fund from which employees salaries are paid. Capital lease obligations will be paid from the fund that maintains custody of the related asset.

The County's overall legal debt margin was \$8,544,338 at December 31, 2002.

Pursuant to State statute, various industrial revenue bonds have been issued by private industry within Gallia County. The proceeds of the industrial revenue bonds are used by the various private industries for new construction or improvements. The bonds are to be repaid by the recipients of the proceeds and do not represent an obligation of the County. As of December 31, 2002, there is \$15,150,000 in industrial revenue bond issues of which \$9,765,000 remains outstanding.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 17 - NOTES PAYABLE**

A summary of the note transactions for the year ended December 31, 2002, follows:

	Outstanding 01/01/02	Additions	Deletions	Outstanding 12/31/02
Special Revenue Funds:				
Motor Vehicle Gasoline Chip Shredder 4.75%	94,153	0	29,953	64,200
Capital Projects Fund:				
Airport Construction 5.50%	33,837	0	16,666	17,171
Enterprise Fund:				
Sewer Improvement	210,000	0	2,100	207,900
Sewer Improvement	1,717,000	0	16,900	1,700,100
<b>Total</b>	<b>\$2,054,990</b>	<b>\$0</b>	<b>\$65,619</b>	<b>\$1,989,371</b>

The airport construction and sewer improvement bond anticipation notes, the emergency medical services three year note and the motor vehicle gasoline tax notes are backed by the full faith and credit of Gallia County. The bond anticipation notes issued for the construction of hangars at the airport will be paid through the Airport Construction fund with rental income collected from the Airport Authority. The sewer bond anticipation notes will be paid from the proceeds of a USDA Rural Development loan at the time the sewer improvements are completed. The motor vehicle gasoline tax notes will be paid with Motor Vehicle Gasoline Tax Fund revenues. The emergency medical services equipment notes was issued for the purpose of purchasing two ambulances and medical equipment. The debt will be repaid by emergency medical services revenues through the Emergency Medical Services Fund.

Annual debt service requirements to maturity for the Motor Vehicle and Gasoline Tax fund notes, including interest of \$4,624, are as follows:

Year Ending December 31	MVGT Fund
2003	34,412
2004	34,412
<b>Total</b>	<b>\$68,824</b>



**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 18 - INTERFUND TRANSACTIONS**

Interfund balances at December 31, 2002, consist of the following individual fund receivables and payables:

<u>Fund Type/Fund</u>	<u>Asset</u> Interfund <u>Receivable</u>	<u>Liability</u> Interfund <u>Payable</u>
<i>General Fund</i>	\$132,047	\$ 0
<i>Special Revenue Funds</i>		
Pros. Victim's Assitance	0	2,455
EMS	0	40,987
CDBG	<u>0</u>	<u>88,605</u>
<i>Total Special Revenue Funds</i>	<u>0</u>	<u>132,047</u>
<b><i>Total All Funds</i></b>	<b><u>\$132,047</u></b>	<b><u>\$132,047</u></b>
	<u>Due From</u> <u>Funds</u>	<u>Due To</u> <u>Funds</u>
<i>General Fund</i>	<u>\$1,478,563</u>	<u>\$ 0</u>
<i>Special Revenue Funds</i>		
Children Services	76,814	0
Child Support Enforcement Agency	0	18,163
Computer Courts	1,020	0
MR/DD	638,039	0
Human Services	<u>0</u>	<u>76,814</u>
<i>Total Special Revenue Funds</i>	715,873	94,977
<i>Enterprise Funds</i>		
Bidwell Porter Sewer	17,600	0
Gallia Co. Sewer	<u>9,796</u>	<u>0</u>
<i>Total Enterprise Funds</i>	27,396	0
<i>Agency Funds</i>		
Library	147,395	0
Park	245,422	0
Health	245,422	0
Court Agency	0	1,131
Undivided General Tax	<u>0</u>	<u>2,763,963</u>
<i>Total Agency Funds</i>	<u>638,239</u>	<u>2,765,094</u>
<b><i>Total All Funds</i></b>	<b><u>\$2,860,071</u></b>	<b><u>\$2,860,071</u></b>

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

A. Joint Solid Waste Management District

The County is a member of a multi-county Joint Solid Waste Management District (District), which is a jointly governed organization involving Gallia, Jackson, Vinton, and Meigs counties. The purpose of the District is to plan and implement comprehensive and environmentally sound solid waste management facilities and provide for the establishment of waste minimization, waste reduction, and recycling programs. The District was created in 1989, as required by the Ohio Revised Code.

The Gallia, Jackson, Vinton, and Meigs Solid Waste District is governed and operated through three groups. A twelve member board of directors, comprised of three commissioners from each county, is responsible for the District's financial matters. Financial records are maintained by the District. The District's sole revenue source is a waste disposal fee for in-district and out-of-district waste. A twenty-nine member policy committee, comprised of six members from each county and one at-large member appointed by the policy committee, is responsible for preparing the solid waste management plan of the District in conjunction with a Technical Advisory Council whose members are appointed by the policy committee. Each participating county's influence is limited to the number of members each appoints to the board. Continued existence of the District is not dependent on the County's continued participation, no equity interest exists, and no debt is outstanding.

B. Gallia-Jackson-Meigs Counties Alcohol, Drug Addiction and Mental Health Services Board (ADAMH)

The ADAMH Board (Board) is a jointly governed organization. Participants are Gallia, Jackson, and Meigs counties. The Board provides no direct services but contracts for their delivery. The Board's function is to assess needs, and to plan, monitor, fund and evaluate the services. The Board is managed by eighteen members, five appointed by commissioners of Jackson County, two by commissioners of Gallia County, and three by commissioners of Meigs county which are proportionate to population, four by The Ohio Department of Drug and Alcohol and four by the State Department of Mental Health. Each participating county's influence is limited to the number of members each appoints to the Board. The Board exercises total control of the budgeting, appropriation, contracting and management.

All of the Board's revenue is from state and federal grants awarded to the multi-county board. Since Gallia County serves as the fiscal agent for the Board, the financial activity is presented as an agency fund. Continued existence of the Board is not dependent on the County's continued participation, no debt exists, and the County does not have an equity interest in the Board. During 2002, the County made no contributions to the Board.

C. Gallia-Jackson-Meigs Counties Cluster

Gallia, Jackson, and Meigs Counties Cluster provides services to multi-need youth in Gallia, Jackson, and Meigs counties. Members of the Cluster include the Gallia, Jackson, and Meigs Counties Alcohol Drug Addiction, and Mental Health Services Board, Gallia County Children Services, Gallia County Juvenile Court, Gallipolis City Schools, Gallia County Schools, the regional office of the Department of Youth Services, Gallia County Mental Retardation and Developmental Disabilities, Gallia-Jackson Treatment Alternative to Street Crime, Health Recovery Services-Bassett House, ACCESS, Bureau of Vocational Rehabilitation, and the Family Addiction Community Treatment Services. The operation of the Cluster is controlled by an advisory committee which consists at least one representative from each agency. State grants are received in the name of the Cluster. The continued existence of the Cluster is not dependent on the County's continued participation and no equity interest exists. The Cluster has no outstanding debt.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS** (Continued)

D. Area Office on Aging

The Area Office on Aging is a regional council of governments that assists ten counties including Gallia County in providing services to senior citizens in the Council's service area. The Council is governed by a fifteen member board of directors. The Gallia County Commissioners along with other county organizations can nominate new board members, but representatives of local community service organizations. At least one-half of the board must be over the age of fifty-five. The board has total control over budgeting, personnel and all other financial matters. The continued existence of the Council is not dependent on the County's continued participation and no equity interest exists. The Council has no outstanding debt. During 2002, the County made contributions to the Area Office on Aging in the amount of \$17,438.

E. Private Industry Council (PIC)

The PIC is a jointly governed organization consisting of representatives from the private and public sectors of Athens, Gallia, Hocking, Lawrence, Meigs, Perry, and Vinton counties appointed by the County Commissioners from each county. The advisory council is the Governing Board of the PIC. The Board sets policies for private industry. State grants are received from the Ohio Bureau of Employment Services in the name of the Ironton-Lawrence County Community Action Organization. The grants are disbursed among the participating counties based on population. The County does not have any financial interest or responsibility.

F. Southeastern Ohio Corrections Commission

The Southeastern Ohio Corrections was formed for the purpose of planning to build a community jail through State funding. The Commission consists of Gallia, Jackson, and Meigs counties. The State funding did not become available but the Commission has remained together in the case there would be any new grants to apply for in the future. The Commission consists of twelve members which includes the President of the Commissioners, the Common Pleas Judge, and the Sheriff from each county. The Commission's fiscal agent will be the County Auditor of the County in which the jail is placed. The County made no contributions to the Commission in 2002, and the Commission is not dependent on the County's continued participation.

G. Gallia-Meigs Community Action Agency

The Gallia-Meigs Community Action Agency is a non-profit corporation organized to plan, conduct and coordinate programs designed to combat social and economic problems and to help eliminate conditions of poverty within Gallia and Meigs counties. The agency is governed by an eighteen member board which consists of three commissioners from each county, three business owners from each county, and three low income individuals elected by each county. The three business owners are nominated by other local business owners and the three low income individuals are nominated by local town council meetings. The agency received federal and state monies which are applied for and received by, and in the name of, the Board of Directors. The Gallia County Commissioners apply for the Community Housing Improvement Plan grant, Community Housing Improvement Strategy grant, and the Ohio Housing Trust Grant for the Community Action Agency. The County is the fiscal agent of the grant, but the grants are used by the Community Action Agency to improve low income family housing in Gallia County. Community Action makes expenses that relate to the grants and then requests reimbursement from the County Commissioners. The Board exercises total control of the budgeting, appropriation, contracting and management. Continued existence of the Community Action Agency is not dependent upon the County's continued participation, nor does the County have an equity interest in the agency. The agency is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS** (Continued)

H. Gallia-Jackson Child Abuse and Neglect Advisory Board

The Child Abuse and Neglect Advisory Board is controlled by a five member board. The purpose of the Child Abuse and Neglect Advisory Board is to prevent child abuse and neglect. Each county's commissioners appoint two members and there is one at large member. The at large member currently is the Gallia-Jackson-Meigs Counties Alcohol Drug Addiction and Mental Health Services Board director. The organization receives \$20,000 a year through the State from birth registration fees of which \$19,400 is sent directly to the Ohio Children's Trust Fund Board. The Gallia-Jackson-Meigs Counties Alcohol Drug Addiction and Mental Health Services Board, a jointly governed organization, receives \$600 a year for administrative services. Continued existence of the Board is not dependent upon the County's continued participation, nor does the County have an equity interest in the board. The Board is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on the County. The Board currently does not prepare year end financial statements due to the limited amount of financial activity.

**NOTE 20 - RELATED ORGANIZATIONS**

A. O.O. McIntyre Park District

The County Probate Judge is responsible for appointing the three-member board of the O. O. McIntyre Park District. Removal of the members requires due process. The County has no ability to impose its will on the organization nor is a burden/benefit relationship in existence. The Park District has a one-half mill property tax that is collected by Gallia County and then transferred into the Park District agency fund. Although the County collects and distributes the tax, this function is strictly ministerial and the County provides no contributions of its own. The District is its own budgeting and taxing authority and has no outstanding debt. The county auditor serves as the fiscal agent for the District; therefore, the financial activity is reflected in Park District County agency fund.

B. Bossard Memorial Library

The Bossard Memorial Library is statutorily created as a separate and distinct political subdivision of the State. Four trustees of the Library are appointed by the County Commissioners, and three trustees are appointed by the judges of the Common Pleas Court. The Library has a .3 mill property tax that is collected by Gallia County into the Library agency fund. Although the County collects and distributes the tax, this function is strictly ministerial and the County provides no contributions of its own. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the County for operational subsidies. Due process is required to remove board members.

C. Gallia Metropolitan Housing Authority

The Gallia Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to State statues. The Authority is operated by a five member board. Two members are appointed by the City of Gallipolis, one member is appointed by the probate court judge, one member is appointed by the common pleas court judge, and one member is appointed by the County Commissioners. The Authority receives funding from the Federal Department of Housing and Urban Development. The board sets its own budget and selects its own management, and the County is not involved in the management or operation. The County is not financially accountable for the Authority.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 21 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The County maintains four enterprise funds which are intended to be self-supporting through user fees charged for services provided to consumers for sewage services. The component units, Gallco Industries, Inc. and Gallia-Meigs Regional Airport were excluded because they are presented individually in the general purpose financial statements. Financial segment information as of and for the year ended December 31, 2002, is as follows:

	County Sewer	Bidwell/Porter Sewer	KAC Sewer	Meadowlook	Total
Operating Revenues	\$76,878	\$94,014	\$0	\$0	\$170,892
Operating Expense Before Depreciation	140,608	541,852	33,447	202,576	918,483
Depreciation Expense	17,614	137,704	0	0	155,318
Operating Income (Loss)	(81,344)	(585,542)	(33,447)	(202,576)	(902,909)
Net Non-Operating Revenues (Expenses)	307	348,081	43,209	202,577	594,174
Net Income (Loss)	(81,037)	(237,461)	9,762	1	(308,735)
Net Working Capital	34,497	(1,718,008)	(2,872)	1	(1,686,383)
Total Assets	439,274	5,241,166	0	1	5,680,441
Total Equity	423,748	3,032,505	(2,872)	1	3,453,382

**NOTE 22 - CONTINGENT LIABILITIES**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecuting Attorney, any potential liability would not have a material effect on the financial statements.

**NOTE 23 - RELATED PARTY TRANSACTIONS**

During 2002, Gallia County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to Gallco Industries, Inc., a discretely presented component unit of Gallia County. Rehabilitative services provided directly to clients of Gallco Industries by the County amounted to \$59,566.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

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**NOTE 24 - GALLIA COUNTY LANDFILL**

In 1978 Gallia County established the Gallia County Sanitary Landfill. The County contracted with Greg Fields to operate the landfill when it opened. In 1991 Mid-American Waste Systems, Inc. (Mid-American) purchased Greg Fields' business. At this time Gallia County operated the landfill on its own for a three month period until the County signed the current lease agreement with Mid-American in June 1991. The lease agreement states that Mid-American is the operator of the landfill and that the County is to receive a portion of the landfill fees. The lease also states that Mid-American will comply with Ohio Environmental Protection Agency (EPA) closure and post closure requirements; therefore, Mid-American is responsible for these costs unless the County does not renew the lease agreement. In April 1995 the EPA department issued a Sub-Title D that states that landfill operators are to purchase a Financial Assurance Bond for the closure and post closure costs and Mid-American has met the requirement.

**NOTE 25 - SHARED RISK POOLS**

A. County Risk Sharing Authority (CORSA)

The County Risk Sharing Authority, Inc. (CORSA) is a jointly governed organization among thirty-nine counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. These coverage include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. CORSA is not dependent upon Gallia County for its continued existence, nor does the County have an equity interest in CORSA. The County's payment for insurance to CORSA in 2002 was \$145,802.

B. County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

**GALLIA COUNTY, OHIO**  
Notes to the General Purpose Financial Statements  
For the Year Ended December 31, 2002

**NOTE 26 - RESTATEMENTS**

*Restatement of Fund Balances* In the prior year, correction of accounting errors required certain adjustments be recorded. This had the following effect on fund balance/retained earnings as it was previously reported as of December 31, 2001:

	General	Special Revenue	Capital Project	Enterprise	Gallco
Fund Balance/Retained Earnings at December 31, 2001	\$829,187	\$4,972,150	\$68,929	\$1,398,859	\$143,932
Restatement Amount	2,631	(8,785)	(27,671)	(304,513)	1,979
Adjusted Fund Balance/Retained Earnings at January 1, 2002	\$831,818	\$4,963,365	\$41,258	\$1,094,346	\$145,911

**NOTE 27 - DECLINING MORTGAGE LOANS**

Gallia County administers a loan program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department, under the Community Development Block CHIP Grant program. The purpose of this program is to provide loans to low and moderate income families for building improvements. The loans are provided as declining mortgage loans with the intent that they do not have to repay the loans unless they leave the residence before five years. As of December 31, 2002 the total amount of loans outstanding was \$80,872. Do to the nature of these loans, they do not constitute a receivable or pledge and the loans accordingly have not been reported in the accompanying financial statements.

**NOTE 28 - CHANGE IN PRESENTATION OF CASH FLOWS**

For the year ended December 31, 2002, Gallco Industries, Inc. changed its presentation of the statement of cash flows to properly show a certificate of deposit as Cash and Cash Equivalent and not as an Investment.

Cash & Cash Equivalents 12/31/01	Change	Restated Cash & Cash Equivalents 12/31/01
\$64,352	\$55,000	\$119,352

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GALLIA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Noncash Disbursements	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Pass through the Ohio Department of Education:</i>					
Nutrition Cluster:					
Food Donation	10.550	N/A	\$ -	\$ 4,229	\$ -
School Breakfast Program	10.553	05-PU-02	7,253		
National School Lunch Program	10.555	LL-P1-02	10,126		
Total Nutrition Cluster			17,379	4,229	0
<i>Direct from the Federal Government:</i>					
Water and Waste Disposal Systems for Rural Communities	10.760	41-05-0316400063	259,301		
Total U.S. Department of Agriculture			276,680	4,229	0
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
<i>Pass Through Ohio Department of Development:</i>					
HOME Investment Partnership Program	14.239	BC-00-025-2	198,774		
Community Development Block Grants / State's Program	14.228	BC-00-025-1 BF-02-025-1 BF-01-025-1 BN-02-025-1 BN-00-025-1 BW-97-025-1 BX-01-025-1	168,517 5,262 108,750 100 4,010 89,500 4,394		
Total Community Development Block Grants / State's Program			380,533	0	0
Emergency Shelter Grants Program	14.231	BL-02-025-1 BL-01-025-1	8,975 28,575		
Total Emergency Shelter Grants Program			37,550	0	0
Total U.S. Department of Housing and Urban Development			616,857	0	0
<b>U.S. DEPARTMENT OF JUSTICE</b>					
<i>Direct from the Federal Government:</i>					
Public Safety Partnership and Community Policing Grants	16.710	NA	4,191		
<i>Pass through the Office of Criminal Justice Services:</i>					
Juvenile Accountability Incentive Block Grants	16.523	2001-JB-02-A176	4,510		
Byrne Formula Grant Program	16.579	98-DG-D02-7192	10,147		
Violence Against Women Formula Grants	16.588	98-WF-VAS-8417	7,075		
Total U.S. Department of Justice			25,923	0	0
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>					
<i>Pass through the Ohio Emergency Management Agency:</i>					
Emergency Management Performance Grant Program	83.552	J236	14,835		
Terrorism Consequence Management Preparedness Assistance Grant	83.552	J237	773		
Total Federal Emergency Management Agency			15,608	0	0
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Pass through the Ohio Department of Education:</i>					
Title I - Grants to Local Educational Agencies	84.010	C2-S1-02	5,029		
Innovative Education Program Strategies	84.298	C2-S1-02	1,073		
Special Education Cluster:					
Special Education Grants to States	84.027	6B-SF-03P	24,087		
Special Education Preschool Grant	84.173	PG-S1-03P	2,094		
Total Special Education Cluster			26,181	0	0
Total U.S. Department of Education			32,283	0	0

GALLIA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Noncash Disbursements	Passed Through to Subrecipients
<b>U.S. DEPARTMENT OF LABOR</b>					
<i>Pass through the Ohio Department of Job and Family Services:</i>					
WIA Cluster:					
Workforce Investment Act - Adult	17.258				284,279
Workforce Investment Act - Adult Administrative					33,052
Total Workforce Investment Act - Adult			0	0	317,331
Workforce Investment Act - Youth	17.259				371,889
Workforce Investment Act - Youth Administrative					41,934
Total Workforce Investment Act - Youth			0	0	413,823
Workforce Investment Act - Dislocated Worker	17.260				284,279
Workforce Investment Act - Dislocated Worker Administrative					31,227
Total Workforce Investment Act - Dislocated Worker			0	0	315,506
Workforce Investment Act - Rapid Response	17.260				204,973
Total WIA Cluster			0	0	1,251,633
Workforce Investment Act - One-Stop Implementation	17.257				28,368
Total U.S. Department of Labor			0	0	1,280,001
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
<i>Pass through the Ohio Department of Transportation:</i>					
Airport Improvement Program	20.106	FY02	12,600		
Total U.S. Department of Transportation			12,600	0	0
<b>APPALACHIAN REGIONAL COMMISSION</b>					
<i>Pass through the U.S. Department of Agriculture</i>					
Appalachian Regional Development	23.001	OH-13749-00	10,000		
Total Appalachian Regional Commission			10,000	0	0
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
<i>Pass through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>					
Social Services Block Grant (Title XX)	93.667		44,916		
Medical Assistance Program (Medicaid: Title XIX)	93.778	FY02	460,646		
Total U.S. Department of Health and Human Services			505,562	0	0
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>			<b>\$ 1,495,513</b>	<b>\$ 4,229</b>	<b>\$ 1,280,001</b>

The accompanying notes to the Schedule of Federal Awards Expenditures are an integral part of this Schedule.

**GALLIA COUNTY FINANCIAL CONDITION  
GALLIA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B – MATCHING REQUIREMENTS**

Certain Federal programs require that the County contribute non-federal funds (matching funds) to support the federally-funded programs. The County has complied with matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

**NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN PROGRAMS**

The County has established a revolving loan program to provide low interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County, passed through the Ohio Department of Development (ODOD). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages of property and equipment. At December 31, 2002, the gross amount of loans outstanding under this program was \$80,872.

**NOTE D – FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. As of December 31, 2002, the County had no significant food commodities in inventory.

**NOTE E – SUBRECIPIENTS**

The County passes-through certain Federal assistance received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the Government records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the Government is the responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Gallia County  
18 Locust Street  
Gallipolis, Ohio 45631

To the Board of County Commissioners:

We have audited the general-purpose financial statements of Gallia County, Ohio (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 18, 2003. We did not audit the financial statements of Gallco Industries, Inc. or the Gallia-Meigs Regional Airport, discretely presented component units. Those financial statements were audited by another auditor whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for Gallco Industries, Inc. and the Gallia-Meigs Regional Airport, are based on the reports of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the County's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 18, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general – purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as item 2002-001 and 2002-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In addition, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated August 18, 2003.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 18, 2003



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Gallia County  
18 Locust Street  
Gallipolis, Ohio 45631

To the Board of County Commissioners:

#### Compliance

We have audited the compliance of Gallia County, Ohio (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2002.

#### Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the County in a separate letter dated August 18, 2003.

This report is intended for the information and use of the audit committee, management, the Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 18, 2003



**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Workforce Investment Act Cluster: CFDA #17.258, 17.259 and 17.260 Medical Assistance Program: CFDA #93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**  
**(Continued)**

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

**FINDING NUMBER 2002-001**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code §153.12 establishes guidelines for the award and execution of any contract for the construction, reconstruction, improvement, enlargement, alteration, repair, painting, or decoration of a public improvement made by the state, or any county, township, municipal corporation, school district, or other political subdivision, or any public board, commission, authority, instrumentality, or special purpose district of or in the state or a political subdivision or that is authorized by state law. No contract to which this section applies shall be entered into if the price of the contract, or, if the project involves multiple contracts where the total price of all contracts for the project, is in excess of ten per cent above the entire estimate thereof, nor shall the entire cost of the construction, reconstruction, repair, painting, decorating, improvement, alteration, addition, or installation, including changes and estimates of expenses for architects or engineers, exceed in the aggregate the amount authorized by law.

During 2000, the County entered into a contract with Trimat Construction for the renovation of the Health Department building. The original contract, plus change orders, exceeded the architect's original estimate by \$719,092 (65%). While the County and architect approved all change orders, it was noted that the architect's contracted fees were based on a percentage of the total projects cost; therefore, the increased project costs also increased the architects compensation.

We recommend the County comply with the provisions of the Revised Code. If necessary, the County should contact the architect or engineer to determine if change orders would affect the original estimate and obtain guidance from the Prosecuting Attorney to determine whether additional bidding requirements will apply. In addition, we recommend the County obtain guidance from the Prosecuting Attorney as to whether basing architectural fees directly on total project costs, without limit, is proper and allowable.

**FINDING NUMBER 2002-002**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code §5705.39 states the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

For the individual funds tested, current year appropriations exceeded total estimated resources, (estimated receipts plus unencumbered fund balance to date), at December 31, 2002.

Fund	Appropriations	Estimated Resources	Variance
003 Children's Services	\$1,887,444	\$1,816,965	(\$70,479)
006 Job & Family Services	6,238,597	5,932,818	(305,779)
019 169 Board	2,171,650	2,119,330	(52,320)
077 EMS	991,250	832,605	(158,645)
078 Bond Retirement	347,163	346,213	(950)
114 B/P Sewer Bond Retirement	117,215	111,944	(5,271)

**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**  
**(Continued)**

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

**FINDING NUMBER 2002-002 (Continued)**

**Noncompliance Citation/Reportable Condition – Ohio Rev. Code §5705.39 (Continued)**

In addition, as disclosed in Note 4 to the General Purpose Financial Statements, appropriations exceeded estimated resources by the following amounts for the year ended December 31, 2002:

General Fund	\$147,045
<u>Special Revenue Funds:</u>	
Dog & Kennel Fund	593
CDBG Fund	611,241
MVGTT Fund	184,167
Community Corrections Fund	16,560
Sheriff Byrne Galvin Fund	52,609
Public Assistance Fund	841,148
MR/DD Fund	103,259
Gallia-Vinton TASC Fund	226,940
Victim's Assistance Fund	32,219
Serenity House Fund	4,849
Family Stability Incentive Fund	32,022
Gallia Investigator Fund	2,806
Sheriff- VAWA Fund	3,676
State Domestic Prep. Equip. Fund	62,862
JAIBG Detention Fund	1,870
<u>Enterprise Fund:</u>	
KAC Sewer	405,370

We recommend that, prior to authorizing the original appropriations or approving any amendments, the County compare the proposed appropriations with the Certificate of Estimate Resources to ensure the appropriations will not exceed the fund's estimated resources. Once appropriations have been adopted, the County is required to obtain the County Auditor's certification that appropriations do not exceed the estimated resources in any fund and attach the certification to the appropriation measure.

**FINDING NUMBER 2002-003**

**Finding for Recovery Repaid Under Audit**

Ohio Rev. Code §325.06 establishes the rate of pay for the County Sheriff. The County is also provided wage tables from the County Commissioners Association of Ohio. During 2002, the established annual salary was \$50,123. Due to an inadvertent clerical error, the Sheriff was actually paid \$50,319 (\$195.58 overpaid). In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against Dave Martin in the amount of \$195.58, in favor of the General Fund of the County.

As of June 26, 2002, Dave Martin, Sheriff, had reimbursed the County for the entire amount.

We recommend the Sheriff's Department review wage tables to ensure correct amounts/tables are being utilized and that the County Auditor's Office monitor pay rates of elected officials.

**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**  
**(Continued)**

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

**FINDING NUMBER 2002-004**

**Finding for Recovery**

Ohio Rev. Code §5901.04 states that on the presentation of an itemized statement, the board of county commissioners shall allow the persons composing the veterans service commission their reasonable expenses incurred in the performance of their duties, and shall fix a fair compensation for their services. The county auditor shall issue a warrant upon the county treasurer for the amount so allowed.

Office of the Attorney General of Ohio, Opinion No. 01-038 states that members of a county veterans' service commission are "officers" for purposes of Ohio Const. Art. II, §20. Therefore, a member of a veterans' service commission, who is holding office at the time the board of county commissioners increases the compensation for that position, is prohibited from receiving such increase for the duration of his term.

On August 8, 1991, the County Commissioners set the compensation of the Veterans Service Board members at \$100 per meeting attended, not to exceed 15 meetings per year.

On April 24, 1994, the Veterans Service Board requested the County Commissioners to not limit the Board to 15 meetings per year. No action was taken by the County Commissioners regarding this request.

On July 28, 1994, the County Commissioners minutes state "The Gallia County Commissioners agreed to lift the limitations of the VSC meetings and allow the VCS to meet at it's discretion, providing the VSC does not exceed their annual appropriations in account 001-0903-301 (Salary Officials)." However, there was no official vote or any other formal approval of such an agreement.

Per the October 29, 1998 County Commissioners minutes, the Veterans Service Board met with the Commissioners with a request to increase the maximum number of paid Board meetings attended from 15 to 24 meetings per year. Mr. Montgomery, County Commissioner, advised them that the Commissioners would take the request into consideration at budget time during late November and early December. No further actions were taken by the County Commissioners.

In 1999, the Veterans Service Board began compensating Board members at \$100 per meeting, not to exceed 26 meetings per year, without the County Commissioners' approval. As a result, each Board member was compensated \$2,300 for 1999, (23 meetings at \$100 per meeting), and \$2,500 for 2000, (25 meetings at \$100 per meeting). The following overpayments resulted for 1999 and 2000:

1999

Name	Actual Salary Paid for 1999	Authorized Salary for 15 meetings at \$100 per meeting	Overpayment
Robert Barcus	\$2,300	\$1,500	\$800
James Cozza	2,300	1,500	800
Ralph Jeffers	2,300	1,500	800
Charles Reynolds	2,300	1,500	800

**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**  
**(Continued)**

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

**FINDING NUMBER 2002-004 (Continued)**

**Finding for Recovery – Ohio Rev. Code §5901.04 (Continued)**

2000

Name	Actual Salary Paid for 2000	Authorized Salary for 15 meetings at \$100 per meeting	Overpayment
Robert Barcus	\$2,500	\$1,500	\$1,000
James Cozza	2,500	1,500	1,000
Ralph Jeffers	2,500	1,500	1,000
Charles Reynolds	2,500	1,500	1,000

On January 25, 2001, the County Commissioners approved the Veterans Service Board's request to increase the compensation from \$100 per meeting to \$150 per meeting; however, there was still no approval regarding the increase in the number of meetings to be compensated for per year. In addition, all Veterans Service Board members received the \$50 increase per meeting which, based on the Board members term of office, resulted in some Board members receiving in-term increases.

2001

Name	Actual Salary Paid for 2001	Authorized Amount Per Meeting *	Maximum Authorized Number of Meetings Per Year	Allowable Compensation	Overpayment
Robert Barcus	\$3,450	\$100	15	\$1,500	\$1,950
James Cozza	3,450	150	15	2,250	1,200
Ralph Jeffers	3,450	100	15	1,500	1,950
Earl Cook	2,550	100	15	1,500	1,050

2002

Name	Actual Salary Paid for 2002	Authorized Amount Per Meeting *	Maximum Authorized Number of Meetings Per Year	Allowable Compensation	Overpayment
Robert Barcus	\$3,750	\$100	15	\$1,500	\$2,250
James Cozza	3,600	150	15	2,250	1,350
Ralph Jeffers	3,600	150	15	2,250	1,350
Earl Cook	3,750	100	15	1,500	2,250
David McCoy	1,800	100	15	1,500	300

\* Based on the Board Members term of office.

**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**FOR THE YEAR ENDED DECEMBER 31, 2002**  
**(Continued)**

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

**FINDING NUMBER 2002-004 (Continued)**

**Finding for Recovery - Ohio Rev. Code §5901.04 (Continued)**

The following is a recap of the above information:

1999 through 2002 Board Member	Total Compensation Paid Per Above	Total Allowable Compensation Per Above	Total Overpayment
Robert Barcus	\$12,000	\$6,000	\$6,000
James Cozza	11,850	7,500	4,350
Ralph Jeffers	11,850	6,750	5,100
Charles Reynolds	4,800	3,000	1,800
Earl Cook	6,300	3,000	3,300
David McCoy	1,800	1,500	300
<b>Total</b>			<u><u>\$20,850</u></u>

At the August 14, 2003 County Commissioner's Board meeting, the County Commissioners addressed a request made by the Veterans Service Commission. The minutes of that meeting read as follows:

The Gallia County Veterans Service Commission made the following written request to the County Commissioners.

7/24/03  
 TO: Gallia County Commissioners  
 FROM: Veterans Service Commission  
 RE: VSC Meetings

Commissioners,  
 The State Auditor reports that they cannot find any authorization in your minutes for the Veterans Commission to meet 2 times monthly. This issue was brought before you in October 1998 and your minutes do not reflect this. The budget was granted for the additional meetings and the VSC began meeting twice a month in January 1999. At the State Auditor's suggestion we are requesting that you place an approval making meetings retro to January 1999.

Respectfully,  
 s/ Steven R. Swords  
 Veterans Service Commission

The Commissioners discussed the letter of request and Mr. Angel advised that the Commission did not give approval to the VSC request of October 1998. Mr. Montgomery read the Commissioners' Journal of October 29, 1998. Mr. Montgomery suggested that Karen Sprague return Mr. Swords a letter advising that this issue was brought before the County Commissioners on October 29, 1998 and the Commissioners' Journal minutes of that date reflect that no action was taken on this request, therefore, the VSC is authorized for 15 paid meetings per year. No action taken.

**GALLIA COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 §.505**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002**  
**(Continued)**

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

**FINDING NUMBER 2002-004 (Continued)**

**Finding for Recovery - Ohio Rev. Code §5901.04 (Continued)**

As directed in the above stated minutes, Karen Sprague returned the following letter to Mr. Swords:

8/14/03  
TO: Steven R. Swords, VSC Director  
FROM: Karen Sprague, County Administrator  
RE: Response To Your Letter Dated 7/24/03

In response to your letter dated July 24, 2003 and hand delivered to our office on August 13, 2003, please be advised that the County Commissioners' Journal for the date of October 29, 1998 does reflect that this issue was brought before the County Commissioners on October 29, 1998. The Commissioners' Journal minutes of that date reflect that no action was taken by the Gallia County Commissioners on the VSC request for an increase in number of meetings, therefore, the VSC is authorized for 15 paid meetings per year. Please find a copy of the Commissioners Journal minutes for October 29, 1998 attached.

Respectfully submitted,  
Karen Sprague, County Administrator  
Gallia County Commissioners

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against: Robert Barcus and County Risk Sharing Authority (CORSA), his bonding company, jointly and severally in the amount of \$6,000; James Cozza and CORSA, his bonding company, jointly and severally in the amount of \$4,350; Ralph Jeffers and CORSA, his bonding company, jointly and severally in the amount of \$5,100; Charles Reynolds and CORSA, his bonding company, jointly and severally in the amount of \$1,800; Earl Cook and CORSA, his bonding company, jointly and severally in the amount of \$3,300; and David McCoy and CORSA, his bonding company, jointly and severally in the amount of \$300. All of the above listed amounts are in favor of the Gallia County General Fund.

**3. FINDINGS FOR FEDERAL AWARDS**

There were no findings related to federal awards.

GALLIA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
 OMB CIRCULAR A -133 §.315(b)  
 FOR THE YEAR ENDED DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-001	Recommendation to monitor subrecipients of WIA program funds per 29 C.F.R., Part 97	Yes	Corrected.





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

## **GALLIA COUNTY FINANCIAL CONDITION**

### **GALLIA COUNTY**

#### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 9, 2003**